

# NPT SALARY SURVEY 2007

## Inflation Deflates Chief Executive Salaries

### *Middle managers will get biggest boost for 2007*

By Mark Hrywna

**If** you're a middle manager at a charity, you can expect your pay check to keep pace with inflation – barely. If you're running the charity, it might be time to trim expenses at home.

According to this year's national survey of executive salaries and benefits by *The NonProfit Times*, staff at nonprofits will see average pay raises during 2007 of approximately 3.37 percent, a shade more than the 3.31 percent in 2006. While staff salaries will keep pace with last year's average rate of inflation (3.35 percent), the average executive director's salary will not, increasing only 1.25 percent, from \$111,501 during 2006 to \$112,899 for 2007.

Nearly 500 nonprofits from across the country took part in this year's study. The largest response among the total 488 surveys returned came from organizations defining themselves as social/welfare (39 percent), followed by educational (13 percent), health (11 percent), religion (9 percent), other (8 percent), culture (7 percent), association (6 percent), foundation (4 percent) and civic (3 percent).

The modest rise in the average CEO salary reflects a "growing reality that people and boards are more aware of the need to be responsive to donors and what their dollars are being spent on," said Kristin Mannion, senior client partner nonprofit practice leader at Korn/Ferry International, an executive search firm in Washington, D.C. "It doesn't surprise me," she said, adding that it will be interesting to see what happens in the coming years when more turnover is expected as Baby Boomer executives retire.

People are concerned that donor dollars are going to mission and cause, Mannion said, and there's a reluctance, particularly among smaller nonprofits (the bulk of survey respondents), to put more money in the administrative budget, thus "dampening salaries and increases" at that level.

"It just reflects a notion among boards that this is not their money to spend," Mannion said, aiming to keep the focus on program and mission.

But, she warned: "As we go forward, we are about to face a real talent crunch. If that happens, it will force a whole lot of shifting" in terms of executive pay, even within the private sector.

The Mid-Atlantic region, which includes New York and Washington, D.C., continued to have the greatest average executive director salary (\$130,636), but it will increase only marginally. The largest growth in the top job will be in the New England (10.6 percent) and Southwest (7.7 percent) regions. The lone geographic category where the director's average salary will decline is in the North Central (-1.6 percent), which has the only average less than \$100,000, at \$98,940.

Average annual salaries for the 10 positions included in the Salary Survey were essentially flat from 2006 to 2007. Positions in the survey included CEO, CFO, program director, planned giving director, development director, major gifts officer, chief of direct marketing, director of volunteers, Webmaster and director of human resources.

The largest swings from year to year were for chief of direct marketing (-4 percent), and director of volunteers (+6.17 percent) and the average wage for seven of the 10 positions rose, but did not keep pace with inflation with most going up or down within 1.5 percent from the previous year. (See accompanying chart for averages by budget size and region.)

#### THAT DARN GENDER GAP

Overall, the average salary for a female executive director will be \$96,698 in 2007, or 76.7 percent of the average male director's salary of \$126,014, which is actually a slightly wider gap than in 2006 when it was 78 percent of the male's average

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\$123,966 salary. Average salaries for both are expected to rise from 2006 to 2007, but more for males (1.65 percent) than for females (0.6 percent), though neither will keep up with inflation.

The only place where average female salary exceeded average male salary for executive directors was among nonprofits in the \$25 million to \$49.9 million budget range. It also was the lone category in which males saw their average salary decrease (-8 percent) while females saw an increase (6.75 percent).

For women, average executive directors' salary increases were smallest (less than 2 percent) among nonprofits with budgets of less than \$1 million, but two to three times as much for men in the same category. The only category where average salaries for female directors decreased (7 percent) was in the \$50 million or more, but there were only a total of 8 responses. The largest increase for females (8 percent) was among nonprofits with budgets of \$10 million to \$24.9 million.

The male-female split for CEOs was 55 percent male to 45 percent female among 439 respondents to that particular question; a swing back to the men after the ladies reported a 52 percent majority in the 2006 Salary Survey.

#### BONUS? NO THANKS

One in five respondents pay performance-related bonuses to top executives, with almost 78 percent indicating they do not. Even fewer (15 percent) said they would consider a one-time bonus to the right candidate if they had to recruit someone this year, with the remaining responses either unsure (42 percent) or definitely not (43 percent).

"Smaller organizations have less flexibility to do that," Mannion said, with less money to spend on salaries in general. Within the last year, larger organizations have been willing to include performance-based bonuses in executive contracts that are "tied to very explicit expectations that are tied generally to a time frame as well," she said. Executives at larger organizations are becoming eligible for certain bonuses based on following objectives and goals, she said. "It's very true in the case of expecting to be a change agent of sorts."

Of the few nonprofits that do give a performance-related bonus, the most likely person to get it is the chief executive, with an average bonus of 9.14 percent of their salary. Others who might get a bonus are the chief financial officer, 7.6 percent of salary; development director, 6.02 percent, and program director, 5.74 percent.

In response to what benefits organizations offer their executives, the most popular responses were salary increases and professional development education, followed closely by life insurance and cell phone, as well as membership dues. Other responses included expense allowance, tuition reimbursement, as well as a car and extra vacation. (See the related story.)

For general management staff, salary increases are based on merit increases (23 percent) or general increases (34 percent), but in most cases both (44 percent).

Most organizations (72 percent) expect employee health insurance premiums to rise in 2007, while only one in 10 does not. The rest either don't know if they'll have a premium hike (11 percent) or do not offer health insurance benefits (6 percent). The average premium hike among survey participants is expected to be 11.4 percent, with a low of 1 percent and a high of 40 percent.

Some organizations expect to shop for lower premiums or make changes in benefits levels, but most will split the cost of any increases with their employees to varying degrees. On average, employees pay 35 percent of the increase in health insurance premiums. *NPT*

## Special Report

### THE NONPROFIT TIMES

## National

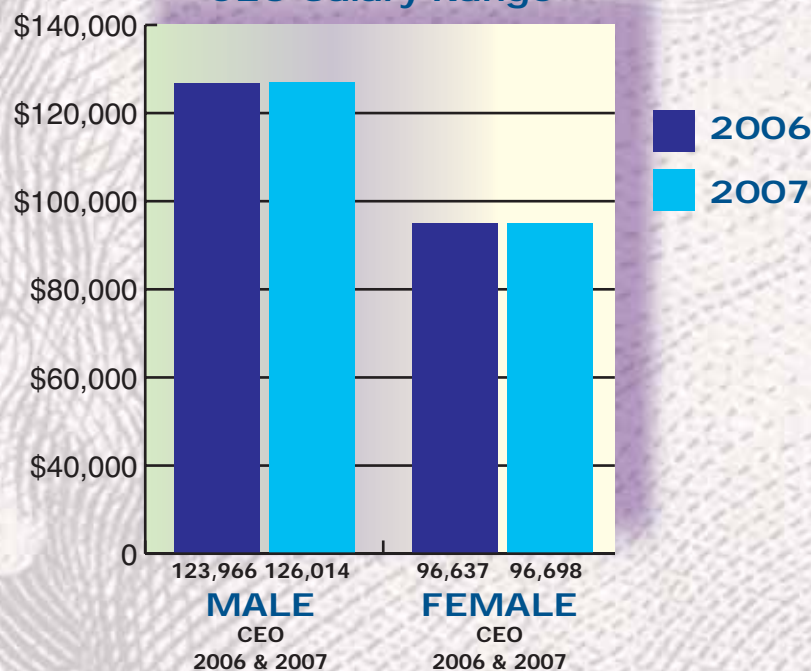
#### AVERAGES 2006/2007

Executive Director / CEO / President	\$111,501/\$112,899	\$54,382/\$56,425	\$68,939/\$70,000
Chief Financial Officer	\$82,989/\$82,739	\$28,480/\$38,173	\$48,012/\$44,562
Program Director	\$61,858/\$62,727	\$31,919/\$33,203	\$44,163/\$44,562
Development Director	\$71,455/\$71,825	\$33,890/\$33,493	\$46,123/\$44,562
Planned Giving Officer	\$69,263/\$69,536	NA/NA no responses	\$41,500/\$44,562
Major Gifts Officer	\$69,688/\$70,650	NA/NA no responses	\$37,400/\$33,203
Chief of Direct Marketing	\$64,765/\$62,173	\$30,287/\$30,819	\$36,393/\$33,203
Director of Volunteers	\$39,727/\$42,180	\$24,445/\$25,484	\$30,640/\$33,203
Webmaster	\$55,291/\$55,922	\$27,067/\$34,140	NA/NA no responses
Director of Human Resources	\$64,749/\$65,330	\$40,682 /\$41,431	\$42,981/\$44,562

#### Average Salary By Budget Size

	Overall Average	<\$500,000	\$500K – \$999,999
Executive Director / CEO / President	\$111,501/\$112,899	\$54,382/\$56,425	\$68,939/\$70,000
Chief Financial Officer	\$82,989/\$82,739	\$28,480/\$38,173	\$48,012/\$44,562
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#### Male and Female 2006 and 2007 Average CEO Salary Range



Average Female CEO  
\$96,698

Average Male CEO  
\$126,014

## Regional

#### AVERAGES 2006

Executive Director / CEO / President	\$104,626	\$130,448
Chief Financial Officer	\$86,945	\$95,974
Program Director	\$60,225	\$66,987
Development Director	\$81,448	\$85,062
Planned Giving Officer	\$69,273	\$73,278
Major Gifts Officer	\$96,790	\$75,019
Chief of Direct Marketing	\$75,167	\$71,142
Director of Volunteers	\$44,318	\$45,610
Webmaster	\$49,967	\$62,108
Director of Human Resources	\$77,967	\$76,312

	New England	Mid-Atlantic
Executive Director / CEO / President	\$104,626	\$130,448
Chief Financial Officer	\$86,945	\$95,974
Program Director	\$60,225	\$66,987
Development Director	\$81,448	\$85,062
Planned Giving Officer	\$69,273	\$73,278
Major Gifts Officer	\$96,790	\$75,019
Chief of Direct Marketing	\$75,167	\$71,142
Director of Volunteers	\$44,318	\$45,610
Webmaster	\$49,967	\$62,108
Director of Human Resources	\$77,967	\$76,312

# 2007 SALARY SURVEY

## Who's Next? Getting ready for a transition at the top

By Mark Hrywna

Three out of every four participants in *The Non-Profit Times 2007 Salary Survey* indicated their organization does not have an executive succession plan, and fewer than 4 in 10 are in the process of creating a plan.

Although this year's figures have improved slightly from last year's 82 percent negative response to the question, the results are not surprising to Deborah Hechinger, president and CEO of BoardSource in Washington, D.C. Finding organizations without a succession plan is not uncommon, she said. Short of a crisis, succession planning can easily tumble to the bottom of the priority list for organizations.

"It's important for nonprofit boards to think about the fact that they govern their institutions through the chief executive. And so ensuring that there is a good chief executive in place, that the chief executive is supervised, appropriately compensated, are all keys to success," Hechinger said.

"Even when you know CEOs are successful, there's going to come a time for all organizations when there's going to be a change in the organization at the CEO level and so it's important for nonprofit boards to prepare for that by designing a succession plan of some kind," Hechinger said.

There are two types of succession plans: a short-term emergency plan to deal with unexpected situations, and a longer term succession policy, which states the process a board will follow in the event of a formal, planned change in leadership.

Some boards might shy away from succession planning for fear that the chief executive might now think about leaving when that hadn't already been considered.

"It's always critical for nonprofit boards to be thinking about the leadership component of their organization because that's the way things get done," Hechinger said, but it's going to be particularly important during the next five to 10 years because demographics indicate a change in leadership in the sector. "The Baby Boom generation is aging, and as they age some of them will be thinking about retirement. As more of them retire, there'll be more leadership opportunities in the nonprofit sector," she said.

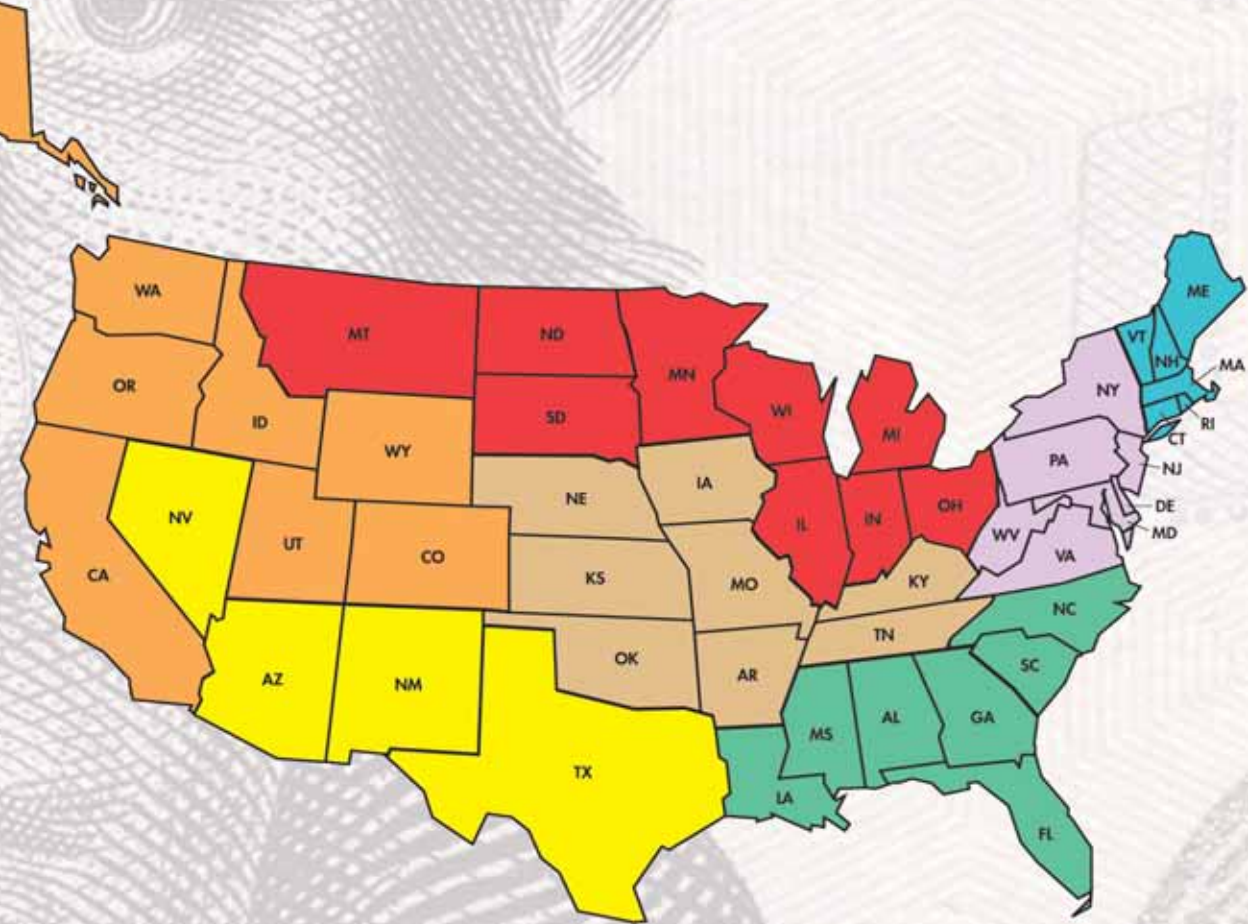
The nonprofit sector itself also is growing rapidly, having increased by almost a third during the past 10 years, Hechinger said. With aging demographics and the projected shift in resources from individuals of the World War II generation giving money to charities as they pass on, "there will be even more opportunity for greater numbers of charitable organizations."

Some boards might shy away from succession planning for fear that the chief executive might now think about leaving when that hadn't already been considered. Also, if not handled appropriately, a discussion about succession planning can head into the wrong direction.

"There's a fine line between discussing succession planning as part of your strategic planning for the organization on the one hand, and a confusing set of messages to the chief executive on the other about whether or not his or her performance is appropriate, and they are not the same thing," Hechinger said. "It's very important for boards to understand the difference

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99.9K	\$1M – \$9.9M	\$10M – \$24.9M	\$25M–\$49.9M	\$50M+
1,808	\$97,279 /\$101,136	\$146,977/\$152,774	\$219,024/\$214,948	\$286,970/\$293,491
8,441	\$65,779 /\$68,923	\$94,642/\$93,817	\$130,143/\$125,243	\$173,961/\$169,360
3,949	\$58,358 /\$60,456	\$67,877/\$69,237	\$94,598/\$91,054	\$126,206/\$118,837
6,369	\$61,539 /\$64,650	\$83,083/\$84,392	\$96,294/\$98,733	\$142,898/\$133,939
3,056	\$62,709 /\$61,983	\$43,631/\$47,572	\$76,540/\$74,171	\$98,098/\$99,241
9,680	\$56,349 /\$57,498	\$60,725 /\$62,188	\$67,137 /\$72,960	\$94,743 /\$99,232
8,067	\$53,954 /\$53,308	\$60,656/\$63,396	\$94,156/\$81,778	\$104,598/\$93,469
3,862	\$37,652 /\$39,047	\$41,415/\$44,107	\$48,750/\$47,227	\$76,661/\$80,413
Responses	\$46,569 /\$46,926	\$64,060/\$64,659	\$61,540/\$57,492	\$78,878/\$80,150
3,524	\$52,056 /\$53,158	\$64,545/\$65,148	\$78,389/\$81,341	\$108,660/\$111,655



South	Central	North Central	Southwest	West
\$104,606	\$99,078	\$100,543	\$113,874	\$106,345
\$71,585	\$71,473	\$75,106	\$82,075	\$79,416
\$62,195	\$53,942	\$57,720	\$57,618	\$64,579
\$62,735	\$57,037	\$67,170	\$73,058	\$65,936
\$70,833	\$58,633	\$57,178	\$85,138	\$73,838
\$68,750	\$50,000	\$62,835	\$96,793	\$59,336
\$59,170	\$47,565	\$68,796	\$57,659	\$57,504
\$37,516	\$33,990	\$35,924	\$38,513	\$42,704
\$48,938	\$47,691	\$48,781	\$59,717	\$56,461
\$57,967	\$49,706	\$60,423	\$66,227	\$57,118

# Some Benefits Come By Horseback, But Flexibility Seems To Be Key

By Mark Hrywna

Wall Street firms dole out bonuses larger than the per-capita gross domestic product of Uruguay, Chad and dozens of other nations. Nonprofits don't have access to that kind of cash, so they look for more cost-effective ways to attract and retain employees.

Some benefits are simple and inexpensive while others might involve a little more spending. Among the most common responses to the question regarding innovative benefits in the *2007 NPT Salary Survey* was a flexible work schedule, shorter work weeks during the summer, and two weeks off around Christmas and New Year's.

## OFFERING THEIR OWN SERVICES

If the services that a nonprofit offers are pretty cool, some organizations extend them to the staff. The Fieldstone Farm Therapeutic Riding Center in Chagrin Falls, Ohio, about 25 miles east of Cleveland, gives employees the opportunity to take free horseback riding lessons.

Executive Director Lynnette Stuart said between one quarter and one third of the 34-person staff take lessons, which employees also can take elsewhere and be reimbursed. Two local trainers visit monthly to provide lessons on site for staff. The cost of free lessons and bringing the trainers in monthly probably is a little more than \$1,000 a year, Stuart said, adding that the benefit has been offered to staff the past four years.

Not only is it a nice benefit, Stuart said, it carries over into the staff's teaching when they're working with children. "It's not a huge cost, but it's something people seem to appreciate," she said, adding that the program fit with professional development and continuing education.

Free lessons might have some impact on employee retention at the center, Stuart said, but there are other factors, including four-day work weeks for some staff and a lot of flexibility.

St. Francis Children's Center in Milwaukee provides on-site child care for all employees at a 50-percent discount, which can range anywhere from \$4,000 to \$6,000 annually, depending on the child's age, according to Executive Director Gerald Coon. Age groups at the facility range from birth to kindergarten. About six of the 50 employees at St. Francis take part in the program, costing the center approximately \$33,000 a year, Coon said. "They (employees) love it. It's absolutely a recruitment and retention tool," he said.

## UNUSED SICK TIME

Full-time employees at the YMCA of Miami County in Peru, Ind., can be reimbursed for half of their unused sick days in their first January paycheck. So if an employee did not use any of the allotted 10 sick days during 2006, the first paycheck of 2007 included a payment equivalent to five sick days. "It does keep

some people from using sick days for trivial things," said Executive Director Richard Fullmer.

The conversion rate depends on the individual nonprofit. At Prevent Child Abuse Minnesota, every two hours of unused sick time can be converted into one hour of vacation time. Another study respondent lets staff exchange three sick hours for one hour of extra pay or an hour of vacation.

One respondent of *The NonProfit Times'* study indicated that accrued medical leave more than the maximum is converted to vacation annually while another allows accrual up to 480 hours or annual payouts for its sick leave program.

Some nonprofits simply include vacation, personal and sick days into one category of paid time off.

## GYM MEMBERSHIPS

Perhaps reimbursing employees who join health clubs and gyms would reduce the number of sick days taken. The national office of the American Heart Association (AHA) in Dallas has had a program



Instructor Debbie Gadus and volunteer Pat Schantz work with Squire, a therapy horse at Fieldstone Farm Therapy Riding Center in Ohio.

for at least 20 years that partially reimburses employees for gym memberships.

Compensation specialist Diane Goolsby said employees can belong to any health club and the AHA will pay for any initial assessment visit and up to \$25 a month for dues. It's up to individual AHA affiliates to choose to offer the benefit.

"As far as I know, since employee growth continues every year in the program, I think employees are really liking it; especially as health conscious as people are getting lately," Goolsby said.

The United Way of New York City will pay up to \$200 a year for employees' health club memberships, a program that was started in 1999. Almost 50 of the more than 100 employees take part, which cost the organization more than \$6,500 in Fiscal Year 2005-06. It was started "just to be competitive in the market," said Sandy Pizarro, vice president of human resources.

## DOMESTIC PARTNERSHIP BENEFITS

The New Jersey Association on Correction (NJAC) had been offering employees the chance to purchase domestic partner health benefits for several years. When New Jersey enacted a domestic partnership health benefit for state employees

about three years ago, the nonprofit decided to include domestic partners into its regular benefits, said Executive Director James Hemm, which the employer pays 80 percent of coverage.

"Once the state started talking about it, why wait, we figured," he said. The initial concern was financial, he said, but after researching a similar law that went into effect in New York City, most people asking for that coverage were actually heterosexual couples living together. "There was some initial concern about affording it, but it turned out, it was not a major issue."

NJAC has approximately 180 employees, about 100 of whom would qualify for the health benefits.

## EMPLOYEE RECOGNITION

The Greater Miami Jewish Federation Inc. recognizes an employee who provides internal service "above and beyond the call of duty" with the annual Mensch Award, which comes with a plaque, \$250 gift certificate and a choice parking space. There's also the Myron J. Brody Award, named after the executive vice president emeritus, and given to an employee who "builds community and makes people feel good," said CFO Stephen Schwartz. The federation also hands out longevity awards, based on length of employment, which could be a plaque, picture frame, or something related to Jewish causes.

Feedback to the awards has been excellent, Schwartz said, with staff "thrilled that management is thinking about employees. It's a good way to build morale."

For the second consecutive year, The Community House in Birmingham, Mich., gave employees a paid day off for their birthdays.

"Employees love it. It costs us really nothing; it's just like another day," said Director of Human Resources Lynn Bollman, adding that

staff can take the day during the week of their birthday, so they could construct a three-day weekend. "It's so easy to implement, but it really has been a huge perk to them." *NPT*

## Who's Next?

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between having a conversation about succession planning and a conversation about performance evaluation of the chief executive."

Hechinger suggested that a conversation between the board chair and chief executive can set the stage for a larger conversation with the board regarding succession planning that's positive and has to do with planning the organization's future. Such communication can ensure that people understand the difference between succession planning and performance evaluation.

"Succession planning is setting the stage for how it is you're going to handle the situation when and if occurs," Hechinger said. "Implementing that plan is when you move to thinking about who could fit in that position or who to retain." *NPT*