compensation conundrum

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Ellen couldn't believe what she was seeing.

She had pulled up a copy of AASA's Form 990 on Guidestar.org on a whim; mostly, she wanted to be prepared if any of the members she worked with directly decided to read the form and call her about it.[1] There were a few things in the new version of the form that could potentially trip up a volunteer,especially if that volunteer was looking for reasons to question AASA's spending.[2]

But she hadn't expected to be personally slapped in the face by the information she found. The new 990 requirements stated that the five most highly compensated staff with compensation greater than $100,000 should be listed on the form. She knew Mark would be listed; it was hardly surprising that the CEO would earn more than $100,000. But it was surprising to learn that of the five vice presidents at AASA, she was the only one earning less than $100,000. Jason, Robert, Kevin, and Paul were all earning at least $30,000 more than she was.[3]

She looked back over the information one more time, to make sure she wasn't misreading it. She wasn't. So now the question was, what should she do about it?[4]

Walking Away

Ellen quietly closed her office door and dialed Stacy's direct number. She and Stacy had worked together for years before Stacy had left AASA for another opportunity, and Ellen trusted her to always give good advice.

On the third ring, there was a clatter, followed by a "Good morning, and thank you for calling—"

"Stacy? It's Ellen."

"Oh!" Stacy laughed. "Sorry about that. I knocked the phone over when I went to answer it."

Ellen smiled in spite of herself. "I've done that before."

"It's the darn cord that attaches to the wall—it's too short. I have to get a new one, but I never get around to it." Stacy laughed again. "But I'm sure that's not why you're calling."

"No, actually," Ellen said. "Do you have a minute?"

She could almost hear Stacy putting on her serious listening face. "Of course I do," Stacy said. "What's wrong?"

"I went to look at our new Form 990," Ellen began, lowering her voice despite the closed door. "I wanted to make sure I knew the basics in case any of my volunteers called me to ask questions—you know how it goes."

"Of course," Stacy said.

"Well, I looked at the salary section, too—I was curious. And it turns out that I earn 30,000 less than all of the other vice presidents."

"Wow," said Stacy. "I can see why you're angry."[5]

"I'm furious," Ellen admitted. "My department brings in more revenue than at least two of theirs![6] I feel like I just found a public website where Mark was quoted as saying he doesn't value me at all.[7] I mean, sure, I have less experience, but I'm doing the same level of work. And my performance reviews have all been positive since I was promoted. It's not like I'm some borderline case. At least, I don't think I am."

Stacy sighed. "I can't imagine you would be."

"Why do you think they would be paying me so much less than the rest of them?" Ellen asked, still careful to keep her voice down.

There was a pause as Stacy considered her answer. "Well," she said slowly, "you know I left AASA because of salary, right?"

Ellen blinked. "No, I didn't."

"I suppose I never said anything to you. I didn't want to create any bad feelings when I left," Stacy said. "Don't get me wrong, I don't regret my time there for a second. I had so many great opportunities, and you know how much I admire Mark.[8]

"The problem was," she continued, "I reached a point where I had the knowledge and experience to make significantly more elsewhere. I did the research, I pulled up the salary surveys, and I presented the information I had to Mark during my last annual review. I gave him figures on the money I'd saved for the association and the money my new products brought in—everything I could think of without being total overkill.[9] But he told me he couldn't give me the raise I was looking for."

"Why not?" asked Ellen, startled.

"He said that the board had a policy against giving an employee more than a five percent raise in any given year."[10, 11]

"We have a policy about that?" Ellen tried to remember the last time she'd read through the employee handbook. She was fairly certain she hadn't seen anything about a ceiling on raises in there, but it had been a while.

"That's what Mark told me. I asked him if there were any circumstances where he could make exceptions, but he said no.[12] I debated what to do for a long time, and I have to admit, when I got my offer here, I kind of hoped that Mark would be able to counter.[13] But in the end, he couldn't match what they were offering me here."

1. Other than job hunters, very few people read 990s.—David M. Patt, CAE

2. Questions would likely emerge from a budget document or financial statement; aggregate salary expense may be the first item questioned.—DMP

3. Oh, oh. Wake up call! Many association executives who thought their salary information was a secret should be aware this information—at least for some—is now available on the web. Of course, such data are always sensitive. Now, however, an association CEO could find him or herself flaunting "dirty laundry." And in AASA's case, the 990 information could serve as grounds for employee disgruntlement and even a suit challenging gender-based pay inequity.—Dinah Adkins

4. She should check salary surveys and 990s to see what peers are paid in other associations. Unless she thinks gender discrimination is an issue, she should not say anything to the CEO. Once she does, her future here will evaporate because she will have revealed her displeasure. The CEO will probably just wait for her to leave, or become more critical of her performance. She should start looking for another job, file a lawsuit alleging discrimination, or both.—DMP

5. She's trying to be a good friend by sympathizing, but she doesn't have enough information to evaluate.—DMP

6. Here's another problem for AASA. Not only are salaries highly disparate among individuals who are all vice presidents, and between male and female VPs, but the lowest paid VP's department brings in more revenue than others paid much more. At the very least these disparities are morale busters; worse, they're potentially legally actionable.—DA

7. Not true. Her position may simply not command a higher salary in the marketplace.—DMP

8. Mark must be doing something right, but we can only wonder what.—DA

9. Then the CEO thinks he's being shaken down.—DMP

10. Yes, Mark's hands were tied by AASA's board and he's currently unable to manage salaries to ensure reasonable parity and the retention of highly qualified and productive staff. But, for whatever reason such a policy was instituted, no smart CEO should settle for a state of affairs that reduces his ability to pay staff appropriately and maintain quality services to members—and that moreover leaves his organization open to lawsuits.—DA

11. If Mark disagrees with the policy, he should advocate a change.—DMP

12. He seems OK with people leaving once they've hit the salary ceiling.—DMP

13. Bad move. If she had wanted to stay, she would not have applied for jobs elsewhere. A CEO should not match an outside offer. It's best to simply wish employees luck and let them leave. Salary inequities often occur when raises are given to prevent a person from leaving. That same person could return in two months with another offer.—DMP

A Little Research

"Hey, Sue?" asked Ellen.

Mark's assistant, Sue, turned around and smiled. "Hi, Ellen. What can I do for you?"

"Do you have a copy of the most up-to-date employee handbook?" Ellen asked. In lieu of an HR director, Mark handled most human resources functions, with Sue handling the administrative side of things. "I wanted to look something up, but it occurred to me that I still have the same version I got when I was first hired."

Sue nodded. "I do have it. I was just making a batch of new ones, since we have some new hires coming on board next week." She grabbed a binder off of a pile on her desk. "You can keep this one if you want."

"Thank you so much!" Ellen said, with a wave goodbye as Sue's phone rang.

A quick flip through the handbook confirmed what Ellen had remembered; there wasn't a policy on raises in there. Maybe in the board policy manual? Ellen wondered. She certainly hadn't read every page of it.[14]

Skimming through her materials from the last board meeting, Ellen found a PDF version of the policy manual. A few keyword searches later, she had found the text she was looking for. Staring at her monitor, Ellen began to have an idea of how she wanted to approach Mark.

Making the Pitch

"Hi, Sue," said Ellen. "Is he ready for me?"

"He is," confirmed Sue. "Go right on in."

Ellen walked past Sue's desk and into Mark's office. He turned from his computer as soon as she arrived; Mark believed strongly in giving his full attention to anyone visiting his office,[15] which was something Ellen tried to emulate. You never felt like you were competing with Mark's inbox or BlackBerry when you met with him.

"How are you this morning?" Mark asked, raising his coffee mug in Ellen's direction.

"It's been an OK week," Ellen responded, perching on the edge of a chair. "I appreciate you fitting me in today, though."[16]

"Not everything can wait for the next senior

14. Of course, any cap on wages or raises should be information that is shared with staff—even if it's a temporary situation rather than an institutionalized policy that needs to be enshrined in the employee manual. At AASA, though, the board has passed a policy about staff salaries that staff aren't privy to. This raises a red flag about transparency within the organization.—DA

15. Good!—DMP

16. The conversation is already uneven. She is showing gratitude just because he's talking to her.—DMP

staff meeting," Mark said. "Is everything all right? I assumed you had a concern, if you wanted to meet with me privately."

Ellen nodded. "I do have a concern, actually. I stumbled across something, and I wanted to talk to you about it."

"What is it?" asked Mark, eyebrows raised.

"It's our board policy on salaries," Ellen explained, trying to keep herself from fidgeting with her pen. "I'll admit I hadn't noticed it myself until this week. But the more I think about it, the more I think this policy can really hurt us in the long run. I know board policy is above my level, so to speak, but I was hoping you could give me some background on where the policy came from and why we have it."

Mark sighed. "I appreciate you asking about this, Ellen, but I'll be honest with you: I may not be able to give you the answers you want to hear."

Ellen's eyes widened. "What do you mean?"

"I mean that if you're hoping to have this policy eliminated, I'm sorry, but it's very unlikely to happen."

Swallowing down disappointment at Mark's response so far, Ellen asked, "Where did it come from in the first place?"

"Back when I first started here, in the early 1990s," explained Mark. "The industry was going through some consolidation back then, as you know. Kim Jameson, our board president at that time, wanted to block all staff from receiving raises.[17] She felt it was inappropriate to be raising staff salaries when members were suffering.[18] I argued against it, and eventually, this was the compromise we came to." [19,20]

"That makes sense," said Ellen. "But why is it still on the books now?"

"No president wants to be the one to remove it from the policy manual," said Mark. "And I personally haven't wanted to reopen that can of worms." [21]"Even if you think you could lose good staff because of it?" Ellen asked.

Mark frowned. "Are there any staff in particular you're concerned about?"[22]

Hesitating, Ellen said slowly, "I don't want to make this about anyone in particular.[23] I think the issue is more general than that." Choosing her words carefully, she said, "On the one hand, we really pride ourselves on offering opportunities and advancement to staff that stay with AASA. We aim to build long-term relationships with employees. I know I've benefitted from that."

"We're lucky to have you," said Mark, smiling.

"But," continued Ellen, "this policy creates situations where we can't pay market rates for certain employees after they've been promoted. It's one thing to say that you're offering them an opportunity they wouldn't get elsewhere and that they don't have the experience to command a market-rate salary. I don't know that we want that to be our stance on the issue, but there's a certain logic to it. It's another thing to tell an employee that it's going to take them years to work their way up to a market-rate salary when they can clearly be hired by another association for significantly more."

Mark shook his head. "I appreciate where you're coming from," he said, "I really do. But this is an issue that's been discussed before, and I have to tell you I don't see this board reopening it, especially not with the economy the way it is. We've focused on offering nonmonetary employee benefits, and I think we've done a good job in that respect. But for employees that are really focused on the money, I'm afraid there's only so much we can do."[24]

"Can I at least look into what it would take to do a compensation study?" asked Ellen, unwilling to completely give up.[25] "If we could at least see where we are in comparison to similar associations, maybe we'd find out that we do pay market rates, and we've just been unlucky with losing a few people."

"You can do some research if you'd like," he said. "Email me what you find out. But just be aware that we're unlikely to move forward with it at this time." Mark offered Ellen a smile. "I appreciate you looking out for us, Ellen."

Ellen couldn't keep the defeated slump out of her shoulders as she walked back toward her own office. *Was it even worth looking into salary surveys?* she wondered. Maybe her time would be better spent seeing what openings were out there right now.[26, 27]

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17. That was a long time ago; the current president may feel differently.—DMP

18. Member and staff salaries are not related—but members often think they should be.—DMP

19. Oh, this is the worst kind of board meddling—creating a long-term board policy to resolve a temporary management issue. And Mark should never have offered such a "compromise." The best solution to any economic downturn is to manage it at the time—which could mean the board might approve a five percent FY budget raise pool based on the total association salary line, leaving management to decide who gets what given individual merit, equity issues, and the need to retain top employees. Instead, the "compromise" reduces the flexibility Mark needs and, in the current case, has created a situation that is grossly inequitable and perhaps litigable.—DA

20. Does the policy apply to CEO salaries, too?—DMP

21. Why not? The CEO needs to be the catalyst to make this happen—unless he agrees with the policy, or is unwilling or unable to confront the board.Is the association in financial straits? Will he have to reduce staff size to increase salaries? Is his job in jeopardy?.—DMP

22. Duh! She's talking about herself. He may not be worried about losing her, or he's trying to maneuver her into a selfish-looking position.—DMP

23. She should. It's obvious the issue is her salary. Approaching the CEO has already alerted him to her dissatisfaction and possibly made him less supportive. She may as well ask why she's getting so much less than other VPs; she has little left to lose.—DMP

24. While it's true that AASA may not be able to provide salaries at the level of other organizations, both the board and Mark need to deal with this issue.—DA

25. There's plenty of comparative data, already. She has asked for something that won't help her and just gives him the opportunity to appear helpful.—DMP

26. Yes! It's time to move on. She should have done that in the first place, without tipping off the CEO to her intentions. Moving up often means moving out. That's normal and the CEO knows it.—DMP

27. Ellen's response is understandable, but it's too bad that her relations with her boss aren't transparent enough—and he isn't receptive enough (despite his willingness to put down his BlackBerry!)—to permit her to be more open about her findings and the potential consequences.

Mark should be rewarding employees who speak frankly. If Mark were truly investing in excellence, his staff should know it and be able to raise issues with him with less fancy footwork than Ellen has employed.

Regardless, Mark has given her the go-ahead to do a salary survey. She should also consult with the association's legal and human resources advisors (and benchmark other associations) to help AASA can get itself out of the sling the board and Mark have put it in. And in the end she will have the ammunition she needs to request a raise.

On the other hand, having taken the full measure of her spineless boss, she might decide to move on straight away. It's unlikely that Mark is obtuse only about this issue.—DA