

ASSOCIATION NEWS



Association Salaries On the Rise

Ten Steps to Legislative Success

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Association Education?***

Association Salaries On the Rise

1998 Salary Survey

by Ed Ura
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In a world seemingly bent on controlling costs, the association and nonprofit world continues to catch up, and sometimes surpass, general industry in its compensation and benefit programs. *The 1998 Michigan Association and Nonprofit Compensation and Benefits Survey* shows an industry with above-average benefits, compensation levels that are competitive for scarce talents, and recognition that the competition extends beyond the nonprofit industry.

Executive Pay Grows Slightly....

Top executive pay increased at a relatively low but consistent level from 1996 to 1998. This change, which when annualized, is approximately 3 to 4 percent per year. The apparently low rate of change is as much a result of the survey sample and turnover in the industry, as opposed to any general trend. While top executive pay movement in trade associations did not appear to follow any recognizable pattern, top executive pay in professional societies increased at a relatively consistent rate across each of the revenue categories.

Pay for other senior management jobs increased at a much higher rate, as shown in *Figure 1*.

These apparently rather dramatic increases, while partially reflecting a dramatic upward pay trend in the professional ranks, are also more than likely a result of significant turnover, both in the responding organizations and the reported incumbents. In a highly competitive labor

market, extensive turnover results in rapidly increasing pay rates. Also, at this level of pay (in the \$40,000 and \$50,000 range), relatively small "dollar amount" changes translate to relatively large percentage changes.

The mean pay for non-management professional jobs increased at a somewhat lower rate than management jobs; clerical pay increased as well, but at rates much more reflective of general industry trends than any specific industry activity.

Benefit Practices Continue to Improve

Pay increases in associations averaged just under five percent in 1998. This represents a slight decrease from the average of five percent reported in the 1996 survey, which had been the highest level reported in the 1990s. Pay increase percentages in the associations industry have exceeded the general labor market for several years.

Pay for most survey jobs increased in the two-year period between 1996 and 1998. The change in pay levels reflects the general trends in the market in recent years—a relatively small change at the median, with more significant changes at the average and upper percentiles. This is a result, in short, of conditions in the labor market. The shortage of skilled individuals means that organization's responds to its needs in one of two ways:

- Compete for the truly skilled individuals, and pay the higher cost, generally beyond the middle or "median" of the market (increasing the "mean" in a survey)

- Hire individuals who are probably not qualified for the job, at least not at the level the organization wants, at a pay level that is competitive, but in keeping with the skill levels (keeping the "median" from growing rapidly, but not below the median sufficiently to reduce the mean, or offset the higher pay of the individuals)

Competitive benefit programs were improved in the last two years. Employees had an extra half holiday (average of 9.4 for 1998), and earned lengthier vacations sooner. Health insurance benefit programs remained competitive, although the percentage of the premiums paid by employees for individual coverage increased somewhat (22 to 33 percent). The average individual deductible is \$150, the average full family deductible about \$250. Employees pay an average of 15 percent of medical charges (co-pay) after the deductibles have been met. The costs of dental plans also increased (both premiums and deductibles), reflecting a general trend of employers in response to dramatic increases in premiums exacted by dental insurers. Individual dental deductibles averaged more than \$60 and full family deductibles just under \$100 per year.

Life insurance is provided to about 70 percent of association employees. Just under two-thirds of the associations provide some type of long-term disability

Figure 1

	Trade Associations			Professional Societies		
	1996	1998	Change	1996	1998	Change
Top Executive Officer	82.0	86.9	6.0%	74.4	80.6	8.3%
Deputy Executive Officer	64.6	73.1	13.2%	69.4	64.9	-6.5%
Top Financial Executive	45.6	56.7	24.3%	52.0	58.9	13.3%
Top Information Systems Exec.	35.6	53.2	49.4%	48.4	56.8	17.4%
Top Marketing Position	42.5	58.0	36.5%	49.5	66.9	35.2%
Top Membership Position	39.2	44.3	13.0%	33.8	55.1	63.0%
Top Govt. Relations Position	71.5	66.2	-7.4%	55.2	61.9	12.1%

insurance coverage. Fourty percent provide some type of short-term disability coverage. These percentages are similar to those in past surveys.

New questions were added to the survey concerning retirement programs. This study showed that just under two-thirds of associations provide some type of retirement program for their top executive, and slightly less for other employees. Most of the programs are provided at no cost to the employee, with only a quarter of the plans requiring or allowing employee contributions, on average, 6.6 percent of employee pay toward retirement programs. While payment for club memberships continued at about the same level as in the past, the trend toward reduction of company cars programs continued, although not as dramatically as the sharp drop between 1994 and 1996. Approximately a third of the participating associations provide a company car to their top executive, down by about 25 percent. Part of that group moved toward a car allowance program, as 13 percent of the organizations have gone that route.

Why Are Association Benefit Programs More Competitive?

A comparison of association employee benefit packages shows a general pattern of programs that are more competitive than general industry. More in-depth study suggests some of the reasons why this may be the case. An obvious advantage of the association industry packages is more generous time-off practices. Associations provide slightly more holiday time, and vacations are earned much easier. Sick and personal day programs are more generous, as well as other leave programs. One of the more reasonable explanations for this trend is the tie to employee compensation. Association pay has traditionally been less than competitive, and paid time off, particularly in a nonproduction environment, is often perceived as "free" to the organization. Therefore, time-off could have been considered as a "free" benefit to offset the lower compensation levels.

Association health and welfare programs also tend to be very competitive with general industry, particularly when organization size is taken into consideration. Larger associations are still relatively "small" compared to general industry, yet have programs competitive with much larger private sector organiza-

tions. One potential explanation? Association employees directly benefit from the program their employers develop to attract and retain members. When an association develops or sponsors a group program, it gains for itself the same benefits it gains for its members. Almost unknowingly, then, the association puts itself in a more competitive position.

The Difference Between the Larger and Smaller Organizations Continues...

Larger organizations continue to provide the most comprehensive and competitive benefit packages. The types of health and welfare programs provided are a clear example of the disparity between larger and smaller organizations. Programs such as dental insurance and disability programs are rare in the smaller organizations, and the norm in the larger ones. Larger organizations require much lower contributions from employees toward the cost of their benefits (e.g., 71 percent of employee-only coverage is paid by employees in smaller associations, less than a quarter of the cost in the largest) even for those programs where the benefit levels are similar. The incidence and

sophistication of retirement programs also increase as organization size increases. Only 30 percent of smaller organizations provide retirement programs, contributing less than five percent of pay; about 90 percent of smaller organizations provide a more diverse array of programs, with contributions averaging seven percent of pay.

In Conclusion

The association world continues to improve its competitive position in the human resource area. Additionally, the growing realities of both the increase in the sophistication of organization operations and the decreasing number of skilled individuals in the labor pool have required a rethinking of the way associations compensate their employees. Look for this trend to continue, but start to level off, in the next few years. ♦

About the Author

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Copies of The 1998 Michigan Association and Nonprofit Compensation and Benefits Survey are available directly from MSAE at (517) 336-4334.

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