

Michigan Society of Association Executives

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# ASSOCIATION NEWS™



Michigan Society of Association Executives  
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# Association Compensation Increase Continues

by Edmund Ura, JD

Association top executive pay continued to increase at a sharp rate over the last two years, while association size continues to be the main driver in predicting compensation levels. The results of the new and expanded 2004 MSAE Compensation and Benefits Survey, conducted by Management Resource Center, Inc., provides a unique view of the competitive market for association executives and staff talent. The expanded 2004 edition, with data on more than 70 jobs, is now available and can be purchased directly from MSAE.

## Trade Associations Still Lead in Executive Compensation

Trade association executives continued to be the highest paid senior managers in the association industry. This trend has continued for more than ten years, and the gap has widened over time.

While there are some notable exceptions, the difference between pay at trade and professional associations continues regardless of the size of the association. There are few empirically measurable factors that can explain this difference. One factor, which becomes readily apparent after even limited contact with actual organizations, is the degree to which the boards of directors influence top executive compensation.

Board members in professional societies typically have two characteristics:

1. They are not traditional "business owners," in that they spend much more of their time providing services rather than managing – as a result they typically have less experience with hiring executives and little experience with executive compensation in comparison to their counterparts on trade association boards; and

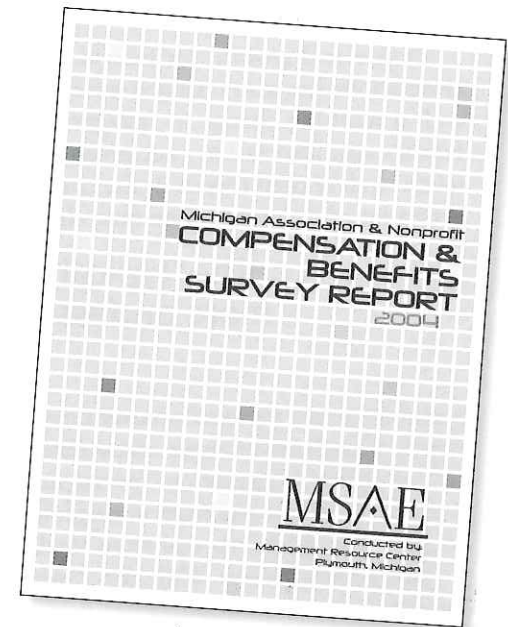
2. They are often the very individuals who write the checks for dues. As a result of both characteristics, they are more likely to have a greater amount of personal interest in top executive compensation at their associations, and less experience in dealing with the situation. Trade association directors are more likely to be managers rather than service providers represent larger organizations with traditional man-

agement structures and are more likely to have encountered the hiring and retention of managers and executives. In many cases, they are also farther from the actual payment of dues and see dues to be a corporate rather than personal expense. While certainly not the case in all trade associations, these factors come into play in many, giving these directors the experience necessary to separate top executive compensation from either their own businesses or their actual dues checks.

## Overall Executive Pay Continues to Beat the General Market

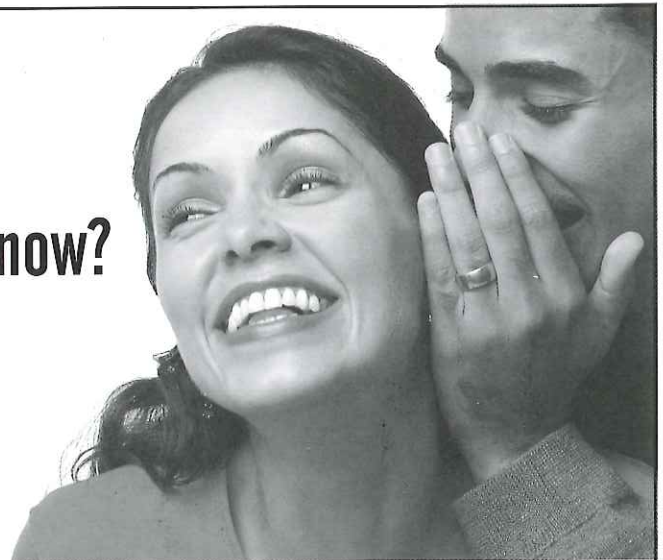
Compensation levels for association top executives increased more than seven percent per year in the two years since the most recent MSAE survey, continuing a six-year trend during which pay increases have averaged over nine percent per year.

Several factors contribute to the increase in executive pay since the late 1990s. A



primary contribution continues to be the increasing requirement of professionalism among those at the executive levels in the association world. The

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## MEMBER BENEFIT

“typical” association executive is better educated and has more professional experience than many of the individuals who operated associations ten years ago.

“Professional growth” for individuals in associations has also changed over time, with a resulting change in “pay growth.” Historically, association executives spent much or all of their careers in the same organization, developing (often from clerical

in compensation is the increase in size of the typical association. As in any industry, executive compensation levels are directly tied to association size – the larger (in terms of budget or revenues) the association, the greater the resources, and therefore the more likely that pay is to be higher. While revenue is the driving measurable factor, the fact is that larger organizations are more complex and require a higher level of

to re-visit many of their policies. More than a third more executives receive either a car or car allowance than in 2002, for a total of 42 percent. The incidence of club memberships is increasing as well, following nearly ten years of decline. About forty percent of top executives have some type of club membership, a number which still represents only half of the memberships reported in 1992.

While about the same percentage (67

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positions) to the top position over time. It is more typical now for an association executive to change organizations several times over a career, moving from management to executive positions and from smaller to larger associations. With this type of development, an individual’s pay is likely to increase at a more rapid rate, as increases from promotion to promotion are typically much larger than the annual raises one receives within the same organization.

Another noticeable factor for the increase

skill to manage. As associations in general grow, their requirements increase, and thus, there is a need to pay more to attract the necessary talent.

### Executive Perquisites

Tax reform legislation of the 1980s made many of the perquisites that association executives formerly received a thing of the past. Changes in the market, and the need to hire talented individuals with general industry experience have caused associations

percent) of top executives work under some sort of employment agreement, there has been an increase in the “formality” of the arrangements. Most of the executives have a formal contract – in the past, many worked under a board resolution or letter of agreement. The typical initial duration of a contract is three years — and about half renew automatically — for subsequent periods that average two years. About half of the contracts have some type of severance provision.

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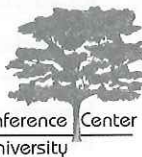


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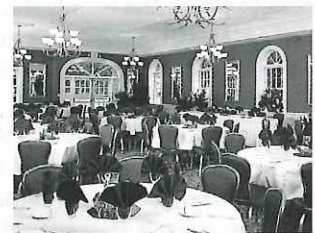
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### Staff Compensation and Benefits

Compensation increases for association staff were generally smaller than those for the top executive, which is similar to the practices in general industry. Increases to pay for clerical jobs were very modest (one to two percent per year), also typical of trends in the general labor market in recent years. Notably, this year's survey indicates that pay for many management positions increased very sharply, exceeding the increases for top executives. There are two likely reasons for this finding:


1. The increase in the number of jobs surveyed (from 35 to 70). In prior years, participants may have only had one position in a functional area (e.g., Information Systems) to choose from – accordingly, the “top position” might include executives, managers or staff. The new survey more accurately portrays compensation levels in various positions.

2. Many of the sharper increases appear in professional associations. This reflects a corollary of the situation described above concerning executive compensation. Not having as much experience with staff com-

penensation, professional society directors are often more likely to let their senior executive set pay for the associations' employees, and these executives are much more likely to respond to the market than the directors would. Ironically, their own experience with managing compensation may give directors at trade associations more impetus to manage pay deeper into their association.

Benefits programs at associations continue to match or exceed the benefits available to employees in general industry. Over the past two years, the amount of paid time off provided to employees has increased, and staff earns vacation time after less service. Provisions of health insurance programs have stayed generally the same, although there has been a shift toward Preferred Provider Organizations (PPOs) from Health Maintenance Organizations (HMOs). Employees are actually paying a smaller percentage of their health insurance premiums than in the last survey; however, what is not apparent is whether this is an actual shift in philosophy, or whether recent premium increases have simply not yet been passed along.

### Using the 2004 Survey

Knowing how to use the survey is as important as knowing what is in it. The survey report provides information, not answers. What it provides is an understanding of what is competitive in the market. Using the survey is a part of the management process – developing a philosophy for compensation and benefits, identifying the appropriate data from the report, applying the data to your compensation program and acting on it. Keep in mind that this survey only covers the association industry, and that for jobs where your organization competes with general industry (clerical positions, certain professional staff and managers), it is equally important to understand pay in that market. 

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