



NONPROFIT COMPENSATION CHECKLIST

Every organization, with designs on long-term sustainability, must sooner or later ask: **How do we attract, motivate and retain the right employees to ensure our continued success?** The intense focus of an organization on its mission should not discount the value of human resources practices such as attractive benefits and competitive compensation that help contribute to the long-term sustainability of that mission. Organizations have the greatest chance of success with a committed and talented team. This checklist can help you determine whether your compensation program has what it takes to attract and retain top talent. It's time to review! And we are here to help.

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Are you prepared to review your compensation program?

Is your compensation philosophy current?

- A philosophy is your organization's commitment to the value of your employees. It includes a plan for how employees are to be paid, and can touch on when and how salary adjustments will occur.

WHAT DEFINES FAIR?

"Fair" is a relative term and is based on the perception of each individual, their personal needs, and a defined basis for which they can measure against – i.e. consistent treatment with internal equity and external competitiveness. When an organization develops its compensation philosophy and communicates this to employees, it provides the basis to assess the "fairness" of the compensation provided.

Are your job descriptions correctly identifying responsibilities?

- Job descriptions are written documentation of a specific job's tasks. They identify responsibilities, accountabilities and any experience, certifications or education required to competently fill that job.

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How effective is your job evaluation process?

- Evaluations allow you to systematically determine of the relative worth of jobs within your organization.

Are you using relevant and quality salary data sources?

- These are sources that report the salaries and wages paid for specified positions within a market. The three main sources for salary data include published salary surveys, online salary data and third party consultants.

Are your salaries competitive?

- Do you have a process for determining the market value of jobs in your organization? To do so, compare functions described in your employees' job descriptions to the jobs and functions reported in salary surveys, and find the appropriate market price for specific positions.

Is your pay plan administration effectively and competitively maintaining your employees' salaries?

COMMON TYPES OF ANNUAL SALARY INCREASES:

Flat Increase: Everyone receives a set percentage increase (usually referred to as a general increase or cost of living adjustment).

Merit Pay: An increase which reflects the level of individual performance. Higher performing employees will receive a larger percentage increase. Typically a formal performance management system is in place.

Market Adjustment: When an organization has made a commitment to market competitiveness, they may also set aside some of their budget annually for pay adjustments to employees whose salaries are low compared to the market or for jobs that have become more competitive in the market.

Have you recently reviewed, or considered implementing, variable pay programs?

- Variable pay is any cash payment over and above base salary that is not mandated by law (i.e., overtime). These can take on many forms, such as annual bonuses, commissions or recognition awards.

Have you reviewed the compensation for your top management?

- Compensation initiatives or adjustments for executives may need to be board-approved. It is not uncommon for senior executives to have additional variable pay components and enhanced perquisites, but they need to be competitive for each position.

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Are your compensation practices compliant?

- The two federal laws/codes of particular interest regarding compensation within nonprofits are Section 4958 of the Internal Revenue Code (intermediate sanctions) and The Fair Labor Standards Act (FLSA).

Have you reviewed your total rewards?

- Total rewards refers to the monetary and non-monetary return provided to your employees in exchange for their time, talents, efforts and results. In addition to compensation, total rewards can include benefits, work-life balance, performance and recognition, and career development.

Have you communicated compensation clearly to your employees?

- You must relay all information to your employees in an effective and organized manner to ensure that they have full knowledge of your organization's offerings.

KEEP LEARNING

Compensation is an evolving field where continuous learning can be beneficial. There are many groups that provide information that can help you stay current on compensation trends, practices and legislative changes, both in the broader market and specific to the nonprofit sector.

HR Consulting Firms: Large consulting firms like Nonprofit HR often release newsletter updates on industry changes. Stay current by subscribing to our Nonprofit HR University newsletter.

HR Associations: World at Work and Society for Human Resource Management (SHRM) have extensive resources related to compensation and no professional requirements for membership.

If you need help reviewing your organization's compensation programs, policies and/or practices, we're happy to support you. Please contact Nonprofit HR's Senior Compensation Consultant, Joan Reutter, at jreutter@nonprofithr.com or visit us online at www.nonprofithr.com.