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Equity and Pay: The New Dialogue For Nonprofits

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Federal pay equity laws have been on the books in the United States since the 1960s. However, because gender and minority pay disparity still exists, many states and local jurisdictions have begun to reexamine the issue and strengthen their laws. In the last few years, California, New York, Massachusetts, Maryland and countless jurisdictions and cities like San Francisco and New York have passed some form of the new law prohibiting employers or recruiters from asking job candidates about current salary, among other things.

Although salary was historically one way to establish a candidate's suitability for a role, current salary can no longer legally be used as a barometer for whether a candidate will advance in the search. The legislation was designed to eliminate pay disparity and enable a potential hire to get the best possible salary for their job skills without clouding the issue with previous salaries. While the laws are still too new for anyone to determine efficacy, there are other ways to glean the information necessary to determine a candidate's worth, and to help nonprofits navigate this uncertain path.

One Size Fits All

Although the law applies to only certain jurisdictions and states, best practices suggest treating all candidates, regardless of geography, as if the legislation applies to them. Casting a wider net and applying the law to all candidates both minimizes the confusion around compliance and reduces risk to the hiring entity.

Gleaning the Information You Need

Salary can be a tricky consideration for any organization, especially when replacing a long-time leader or hiring their first senior executive. It's also difficult for Board members, who often work in the private sector, to know the industry compensation norms in the not-for-profit sector.

As a nonprofit organization embarking on a leadership search, what is your role in the dialogue? As a responsible Board member or volunteer leader, you want to ensure you are protecting your organization from a fiduciary, legal, and external optics perspective.

As a result, there are two important questions every nonprofit board should ask themselves:

First, what is a fair salary within the framework of the organization's geography, mission, size, and annual budget? It is advised that the compensation committee of the Board conduct a salary survey; a systematic review of like organizations should be initiated if the current data does not already exist. Your organization would be well served to establish a salary range that is in the 75% percentile of compensation for the area. This represents that delicate balance of being competitive in your market, while giving a new leader room to grow into your stated salary

structure. A thorough review and analysis of nonprofit 990s and other publicly available information allows Search Committees and nonprofit Boards to update old information, provide a salary that is in line with the local market and adequately compensate for the qualifications they seek in their ideal candidate.

The second area for consideration is that of assessing what a fair salary is relative to the candidate's earnings history. It is suggested that you simply ask the candidate about their compensation expectations moving forward. This protects the candidate's current salary information while giving him or her the opportunity to fairly price their value with respect to the position requirements and their qualifications.

Flip the Script

Another lens through which to view the salary discussion is tied to benefits and other forms of incentive compensation. Increasingly, candidates are interested in the total compensation package and understand that salary is just one factor in the equation. For a candidate who is relocating, a relocation stipend could be both attractive and necessary. Some Silicon Valley companies are now providing unlimited vacation days to their employees. The data supporting this forward-thinking practice shows that employees not only do not abuse this privilege, but instead they are more productive and feel valued by their employer. Adoption and college tuition assistance are other examples of unique benefits that can supplement base salary and a bonus structure. You should always be thinking about creative ways to incentivize key employees that are not necessarily tied to salary.

A Nonprofit's Role

Nonprofit boards have a unique role to play in the salary equity dialogue. First, their goal is to be good financial stewards of their organizations' budgets. Second, they want to hire leaders who will be happy, fulfilled, and satisfied in their new role. Ensuring that a salary works for them and is fair and equitable to the finalist is critical to the success of every placement. Seeking legal counsel or leveraging the expert guidance of your search consultant can help you navigate situations like these.

Special Note: The content contained herein is the opinion of the Network of Nonprofit Search Consultants and should not be misconstrued as legal advice. As with all employment related issues, please check with your legal counsel before making decisions pertaining to the contents of this white paper.

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