

How to Do a Compensation Review For Your Nonprofit

Resource Type: Articles

Topic: HR Risk and Employment Practices

Compensation reviews can reveal pay equity issues at a nonprofit, or individual cases in which staff members aren't being paid appropriately for their duties. Here's how to do an accurate, informative, and valuable compensation review for your organization.

Set goals for the review. Why is your nonprofit doing this? Do you hope to uncover and remedy any structural inequities in your pay, to meet a legal or regulatory requirement, or to address talent recruitment and retention issues?

Know your nonprofit's compensation philosophy. If your organization doesn't have one, create one before you undertake a compensation review. What do you hope to accomplish with your organization's compensation approach? What specific challenges do you face in hiring and retaining staff? How will your organization prioritize, solve for and ensure pay equity across gender, ethnicity and other differences? What funding opportunities and limitations do you face in implementing your compensation philosophy?

Gather information for comparison. Many state nonprofit organizations publish salary and benefits studies. National nonprofit organizations such as Guidestar.org, sell compensation reports. Consider using multiple studies or surveys as resources for your compensation review, to ensure a breadth of information. Pay attention to the sample size, time period, and demographics of the compensation surveys to make sure your comparisons are valid.

Network. Ask colleagues in your network of nonprofit executives whether they have conducted recent compensation reviews? Ask if they can share general lessons learned without breaking confidentiality or contractual commitments to the firms retained to conduct those studies, and offer to do the same if your nonprofit will allow it. This area of nonprofit management is evolving rapidly, and collaborative learning can benefit the whole sector.

Rank jobs in a way that shows the relative levels of responsibility they involve and minimum educational, skill or experiential requirements. (Make sure you rank positions here, not people.) You can do this with a formal system that allocates points for the skills, education, working conditions and judgment each job requires, or with a less formal estimate for those values. You can group like jobs into families, or evaluate each job individually.

Set ranges for what you will pay employees. Pay ranges provide guardrails for what employees in a specific type of job or level of your organization can expect to earn. Use the salary data you gathered to help craft your ranges. Aim to set the middle of your range around the market value for the role, as entry-level employees may start at the low end of the pay range, and those with extensive experience may start above the midpoint.

Make changes. Apply your data to see if any employees fall above or below the range for their position. Set a standard for how your organization will handle these cases. Evaluate the demographics and pay amounts of

employees across your nonprofit. Consider all variables that could shape pay, such as gender, ethnicity and other differences; tenure in a role; and remote work status. Identify any areas with pay gaps that appear inequitable. Talk to your legal counsel or HR/risk consultant and create a plan to fix pay gaps. Making an adjustment to solve one pay inequity can create others, so consider a variety of solutions and their potential impact before you decide what actions to take.

Fund your program. If numerous employees are being paid less than the range for their positions, your nonprofit might not be able to bring them all up to the range immediately. You may need to consider a multi-year plan to allocate funds to bring employees to parity. Even if you can't do it immediately, make a plan to get employees to their range as soon as possible.

Talk to the team. Let your staff know you've done a compensation review and will make changes as needed. Teach your managers to explain how pay was determined. Don't promise employees anything you can't deliver. If your organization has decided to bring employees up to their new ranges over time, communicate that as soon and as clearly as you can.

Set benchmarks. Commit to review pay ranges on a periodic basis to determine whether discrepancies have arisen. If your organization does this on an ongoing basis, it will be much easier to address any cases where an individual or group falls outside the range. Remember that one needed adjustment could potentially cause other inequities, so continue to apply your pay equity analysis approach regularly.

Resources

- [A Roundup of Nonprofit Compensation Reports: Strengths + Weaknesses - Maine Association of Nonprofits](#)
- [Five Questions To Ask When Setting The Compensation Philosophy You Need - Maine Association of Nonprofits](#)
- [How To Conduct A Compensation Analysis And Avoid Mistakes - Payscale](#)
- [How To Establish Salary Ranges - Society for Human Resource Management](#)