

March 22, 2021

TO: Board of Directors

FROM: Heller An Shapiro

RE: Staff Compensation Philosophy Statement for Review

BACKGROUND:

The MD *Standards of Excellence* recommend: A compensation structure analysis developed by the Executive Director, in conjunction with the Director of Finance and Administration, for the Board of Directors to review and evaluate bi-annually or when a new staff position is created. To ensure that ArtStream stays competitive in the marketplace and treats its employees fairly, the Executive Director and Director of Finance and Administration should set suitable salaries within the budget constraints. Reviewing the appropriateness of the overall salary structure of an organization allows the Board of Directors to determine if the salary levels for employees are fair and equitable.

This does not suggest that all organizations should set strict salary levels or grade levels for their employees. Rather, the *Standards for Excellence* code suggests that the Board thoroughly examine the overall salary structure for its appropriateness. Although following “industry” standards may be tempting, it is understood that, due to the size of each nonprofit, not all organizations can set the same pay levels. It is best to determine salaries based on position requirements, including level of education and experience, tenure of staff, and what your organization can afford.

Each organization’s Board of Directors should put together a policy or procedure on undertaking a salary review for the organization. The Board needs to be assured that there are legitimate reasons for any variances that may create a liability for the organization. This review should be conducted every two to three years.

PROPOSAL:

Review and adopt a Compensation Philosophy Statement:

ArtStream endeavors to pay salaries competitive with comparable positions within the region to attract and retain high quality employees. This process involves setting a compensation range for each position.

Total compensation at ArtStream reflects not only salary and wages but also the mandatory and voluntary benefits that ArtStream offers. ArtStream will provide its employees with a total compensation package that is externally competitive, reasonable, and fiscally prudent.

The guideline for external competitiveness will be between the Median Base Salary and the Median Maximum Salary listed in the most recent **Maryland Nonprofits Salary and Benefits Survey**. ArtStream believes in linking compensation and benefits to individual and organizational performance, with an expectation of excellence.

Total compensation at ArtStream reflects not only salary and wages but also the mandatory and voluntary benefits that ArtStream offers. Federal and State law mandates ArtStream to provide the following benefits:

- Social Security
- Unemployment Insurance
- Worker's Compensation
- Family & Medical Leave (FMLA)
- Military Leave.

ArtStream voluntarily provides the following benefits:

- Paid Holidays
- Vacation and Personal Leave
- Sick Leave
- Jury Duty Leave
- Leave Without Pay
- Health, Dental, Vision, and Life Insurance
- Short Term Disability Insurance
- 401K savings plan
- Travel reimbursement to oversee programs
- Flexible work hours

Voluntary benefits are subject to change at any time at the discretion of the Board of Directors.

Each salary range is reviewed at least once every three years for potential adjustment, based on the release of an updated **Maryland Nonprofits Salary and Benefits Survey**. Salary and wages of individual employees are reviewed at least once a year. Factors to be considered when determining raises, if any, include performance appraisals, the ArtStream budget, job responsibilities, and the recommendation of the immediate supervisor.

NOTE: As will be shown at the Board meeting, currently, there is only one employee whose salary falls below the guideline in this proposal.

RATIONALE:

A competitive compensation package is developed and evaluated against other nonprofits of similar size, budget, and industry. This process ensures that employees are properly compensated by reviewing similar positions within the area in which the nonprofit operates.

A compensation philosophy statement sets forth what an organization wants to accomplish through its compensation programs. It guides all future decisions and will be used as the standard against which the organization evaluates the appropriateness of existing systems and salaries.

Typical Components of a Compensation Philosophy Statement

1. Goals and objectives of the compensation program
 - Supports the business strategy
 - Enhances employee productivity and performance
 - Enables a satisfied and effective workforce
 - Achieves the greatest value per compensation dollar

- Reinforces and supports the desired culture
2. Definition of marketplaces (examples)
 - In the region
 - Nationally
 - Among industries that are sources of recruitment
 3. Degree of competitiveness (examples)
 - At the market median (50% of industry salary ranges)
 - At 75% of industry salary ranges