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# Executive compensation in libraries: an oxymoron?

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## Keywords

Compensation, Chief executives, Libraries, Pay, Senior management

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## Abstract

Pay, benefits, perquisites, the work environment and the intrinsic rewards that it offers, all need to be used to attract the executive a library needs and wants. To that end, this article provides an overview of current practices in library executive compensation, with an explanation of various approaches and the provision of ideas for compensation components. This is especially pertinent, as nearly 60 percent of professional librarians will retire, including a large number of library executives, during the next ten to 15 years. Other fields and professions face similarly large numbers of retirements. The competition for top-quality library executives will be fierce. Both library executives and libraries hiring new executives need to be aware of the variety of compensation approaches available to them.

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## Introduction

Executive compensation in libraries? When we read about the obscenely inflated compensation packages of New York Stock Exchange CEO, Richard Grasso (\$188 million pay package, which even the corporate world thought excessive) and other corporate executives, it's hard to relate. After all, most library executives don't receive huge bonuses on top of their base pay, stock options, deferred salary, incentive pay, or lavish perks. But there are more options than you might think and, as competition for top library executives increases, both employers and employees need to be aware of the alternatives available to them.

## Who are we talking about?

Typically, "executive compensation" refers to the salary, benefits, perquisites, and anything else of value that constitutes the agreed upon remuneration package for the top administrative position in an organization, the Executive Officer of the library. The compensation package for this position is usually more detailed and negotiated to a greater degree than are compensation agreements for other positions in the library. In the public sector and many universities, all other positions are usually covered by a pay schedule that provides less latitude to both the employer and the prospective employee.

## More of an issue than ever before

The forces of demography are being felt not just in the library or academic worlds, but throughout the world at large. The American Library Association office for Research and Statistics reported that 58 percent of the professional librarians would be eligible to retire by 2015 (Lynch, 2002). *Library Journal* reported that 40 percent of America's library directors plan to retire by the end of this decade – or sooner (St Lifer, 2000). One in five *Fortune* 500 executives are eligible for retirement right now and corporations are scrambling to find replacements. About 80 percent of the senior and middle managers in the US federal government are also eligible for retirement now, as are huge percentages in state, local, and municipal governments. One million college professors, one million public school teachers, and 50 percent of all community college presidents are also eligible for retirement (Rothwell, 2003). Many are just waiting for the stock market to turn around sufficiently so that they feel they can afford to retire.

All of these statistics add up to one conclusion: every library, every organization, every university, every public jurisdiction, and every non-profit will be competing for top administrative/leadership



talent in the coming years. There will be far fewer candidates with the experience, skills, and competency breadth (the jobs have gotten much more complex) than will be needed to fill all the available jobs. Competition for seasoned library executives will be fierce and while there can and should be many inducements to lure a candidate to a position, compensation is still a major factor, especially when the competition is so strong.

## The market

A library wanting to attract and hire an executive or a library executive wanting a new position or wanting to negotiate a compensation package needs to think about the labor market within which they will operate. While the labor market for library clerks is very much a local one (because there are many potential employees available with the experience and skills needed for a position), the labor market for a library executive will be statewide, regional, or, very often, national.

The labor market beyond the library profession should also be considered. Find out what others with comparable responsibilities, job scope, and job requirements are being paid and how they are being recruited. Look beyond the library world. Look at non-profit executives (of local and regional agencies and organizations), association executives, school superintendents, and community college deans and presidents. Look at department heads of equivalent scope if the library director works for a city or county. What compensation is offered to the Finance Director, Public Works Director, City Engineer, or Director of County Health or Corrections departments? If part of a university, what is the salary range for other Vice Presidents and Directors? What does the chief Technology Officer, Facilities Director, Controller, Director of Security and the Dean of Admissions earn?

Comparisons with these other positions should involve getting a feel for the scope, size, and responsibilities of the job by analyzing the size of the budget administered, the number of staff people in the organization, the organizational structures, number and scale of facilities managed, and the governance structure. Find out if the position reports to a Board or Council. Is there an advisory board or committee, as well? Does the position report to an executive manager, such as a City Manager, County Executive, Provost, or Academic Vice President? What will the fundraising requirements be? Many executives have as a primary responsibility interfacing with donors, foundations, and grant-making bodies in order to raise significant amounts of money.

A final point of comparison comes down to the ineffable: some institutions and some positions just seem more worthy than others. As a hiring body or as a candidate, you might find yourself in the position of challenging a long held value system. Two widely reported library compensation issues in 2004 illustrate this well: Molly Raphael's hiring as the new director of the Multnomah County Library (Portland, Oregon) and the legislated salary cap on all public positions in Minnesota that precluded the placement of the Hennepin County Library Director's salary at a level higher than 95 percent of the governor's salary. County commissioners, the local press, and many citizens were astounded that the new library director would be the highest paid county department head in Multnomah County, with a salary of \$138,000. In Hennepin County, the library was not allowed to raise the salary level. They are offering a salary that will look low for the size and scope of responsibilities of the position (The salary, topping out at \$114,288, is exactly what was reported as the FY 2002 salary in the 2003 Statistical Report published by the Public Library Data Service. At that time, this salary level was at the median for public libraries serving 500,000 to 999,999 people).

If you know what others who are leaders of comparable organizations are making, the library case may be stronger. For example, while public officials and the public were concerned about the Multnomah County Library director's salary of \$138,000, the leader of Goodwill Industries in Portland is paid over \$535,000 in pay and benefits (he also gets a Lincoln Navigator). The new superintendent of Portland Public Schools will make a salary of \$203,000 plus a bonus yet to be negotiated. The director of the Portland Art Museum earns over \$300,000 a year. As competition for scarce resources heats up, more examples of local value systems being challenged will appear.

## Compensation options

In most libraries, salary and benefits have been straightforward: a beginning salary is negotiated, annual increases are provided up to a predetermined top level, benefits are basically the same as those received by other managers, leave provisions are the same as those of other managers, the pension is whatever the institution provides its employees, and so on. In the current compensation and competition environment, particularly in support of recruitment and retention efforts, new options are beginning to appear.

### Base pay alternatives

The traditional pay system in most libraries has been one of a base salary with known steps or percentages of increase, so long as performance is deemed satisfactory. The progression usually tops out after a period of time. Cost of living increases might also be given in an attempt to keep the salary's buying power more or less current. This system provided a known pay environment for everyone. Meaningful performance evaluations were often not a real part of the process and most, if not all, employees, including library executives, got their annual increases.

Because this "merit system" in most cases turned into an entitlement system (employees believed the increases were their automatic due), some libraries and their parent jurisdictions, school districts, and universities, have begun experimenting with various alternatives to a "merit" or step base pay plan. These alternatives attempt to more clearly link job performance with the opportunity to achieve greater compensation. Such incentive systems are common in the private sector, but still quite rare in the public sector.

Many library directors have contracts with their boards or institutions. Under these circumstances, contract extension or renewal and job performance or goal achievement is often more closely linked.

There are additional forms of pay available to the library executive and Board:

- *Bonus programs* – a portion of the executive's pay is "at risk", meaning it's linked to the achievement of specific, measurable results. The bonus is paid only if the quantifiable, outcome-related goals are achieved. School superintendents, for example, are often given a pay bonus if achievement levels on standardized tests increase by a certain percentage in their district. The bonus is a one-time payment and does not affect the base salary. Libraries have given bonuses tied to meeting fundraising goals, completing major construction projects on time and on budget, and acquiring and implementing new computer systems.
- *Pay for performance* – salary increases, which are percentage increases to the base salary rather than one-time bonuses that don't effect the base, are linked directly to the achievement of goals or to an overall performance rating during the rating period. Increases are often a percentage range, from 1 percent-15 percent, for example. The difference between this and a typical grade and step progression plan is that the yearly increases are not predetermined and they are tied to a very specific set of goals and objectives.

- *Skill-based pay* – another variant on the traditional base pay system, this approach recognizes up front that a salary higher than the going market rate for a library executive will be paid for the special skills brought to the position. These skills could include fund-raising, dealing with difficult employee issues, skills in the area of Board and community relations, highly specialized technical skills, the ability to turn around troubled libraries, and so on.

These approaches can be mixed and matched. A library might desire, for instance, to hire a new executive at or below the market rate initially, with the opportunity, through a bonus or performance pay, for that level to be surpassed. Some compensation systems include a base pay level, pay for performance, and a bonus on top of that if all goals have been met or surpassed. The key feature of all these alternatives and their variants is that job performance and meeting major targets and goals is tied together in a very tangible way.

### Why look at options?

Why would an organization wishing to hire a new library executive want to consider alternatives to the traditional base pay system? What should a library executive considering a new position or negotiating their compensation package know about possible options?

A hiring board or organization may wish to consider alternative forms of pay as a way to more clearly link performance (meeting the organization's strategic goals and objectives) with compensation received. The variable part of the compensation can be adjusted to reflect the degree of impact the executive has had, which calibrates performance with compensation much more closely than does the traditional "all or nothing" (meaning full salary or full increase or loss of the job) system. Clearly identifying performance indicators and the increase, improvements, or accomplishments desired is an important process for the hiring body to go through and is an important message to convey to the library executive.

From the library executive's viewpoint, it's critical to know that some libraries are using variable pay systems for executive and, in some cases, senior managers. They will then know how to react if offered compensation under such a system. Or, one might be able to suggest such an approach as a way to provide more options during the compensation negotiation process.

Linking pay to performance requires developing outcome-based performance measures, so that everyone knows what is expected. It's not enough to say, "Improve fundraising". To set a goal that

can be attempted and reached requires specificity and a timeframe: “Increase outside fund raising by 20 percent during the next fiscal year” or “Raise \$50,000 more in FY 05 than was raised in FY 04”. The bonus or salary portion tied to achieving the agreed upon goals and objectives must be significant enough to truly serve as an incentive for the executive and as a measure of the importance of the goal to the organization. If the bonus or salary portion is tied to overall performance, then a full performance plan must be drawn up and discussed so that everyone knows what is expected and the weight that the expectations carry. Absent a full plan and discussion of it, a bonus or salary award can seem (and may well be) simply subjective capriciousness.

### Other financial inducements

In addition to considerations about pay approaches, the library executive or library employer might want to consider inducements that are appearing in other fields to attract and retain employees. These can include:

- Signing bonus – this is a bonus given upon completion of the hiring process. It is a one-time bonus that doesn’t impact base pay.
- Retention bonus – this is a bonus given at a set interval or at the completion of a contract renewal process.
- Employment contract – both the executive and the library may feel more secure if a three to five year contract is in place. The contract will stipulate basic terms of employment and job performance and will usually have language covering termination and what happens if either party wishes to sever the relationship.
- Assistance in acquiring appropriate housing – in communities with excessively high housing costs, assistance is given in the form of housing loans or housing subsidies. This is still rare, but it has been done.

### Not only money

Compensation is much more than salary. It includes everything that the employee perceives to be of value resulting from the employment relationship. It’s a mix of salary, bonus, benefits, various perquisites, and the work environment.

Benefits are usually determined by the library’s parent organization or by the library system’s Board of Trustees if a standalone district, regional system, special library, or independent taxing authority. There are often differences in benefits offered to management and line employees and there may be some opportunity to offer or ask for additional benefits for the library executive. For

example, the employer could provide expanded long-term disability coverage, enhanced life insurance coverage, or an enlarged contribution to the pension or deferred compensation plan.

Perquisites can include a number of “sweeteners” for the library executive:

- A car or car allowance.
- Payment of moving or relocation expenses (including a house-hunting trip).
- Equipping of a home office so the executive can stay in touch or telecommute (should be a given).
- Provision of personal electronic devices such as personal digital assistants (PDAs), cell phones, pagers, laptops (should be a given).
- A driver, parking space, or car service.
- Club memberships or dues, such as membership dues to professional associations, local Chamber of Commerce, Rotary, city clubs, etc.
- Professional development, such as conference attendance and support for study visits to other libraries.
- Tuition assistance and time to attend classes or work on class work.
- Extra leave after a major event, such as completion of a major building project.
- Management leave to compensate for attendance at after-hours meetings, community events, etc.
- Sabbatical opportunities.

Depending upon the library, this list could contain a number of familiar extras or the whole list could provide new ideas for ways to enhance the compensation package offered to or requested by a library executive.

### Intrinsic rewards

In education, social, and government service intrinsic rewards play a key role in attracting and retaining employees. Most library employees, at all levels, value the purpose and mission of the library. They enjoy providing a worthwhile service to their library users and they enjoy working in an environment dedicated to learning, knowledge, and personal fulfillment. They know that libraries make a real difference in people’s lives.

Intrinsic rewards are more than just personal satisfaction. For the library executive, they can include:

- Feedback on the job you do from your administrator, Dean, or Board.
- Public recognition for doing well.
- Coaching or mentoring to do even better.
- Attendance by Board members, administrators, or Deans at public and community events.

- A pleasant work group and organizational values that support people working well together.
- A work environment that supports a balance between home life and work life.
- The opportunity to learn new skills.
- Possibilities for advancement.
- A culture that believes in and cultivates continuous improvement.

Library executives are attracted to a position for these reasons, as well as for financial reasons. Maybe one is looking for a way to build on the experiences they've had and stretch themselves farther by taking on a larger or financially troubled library system. Maybe another is interested in working in a library that is challenging but in a less frenetic environment than the urban system they've been working in. A third might find a position attractive because there is domestic partner insurance coverage and an organizational value that everyone, including executives, should have a reasonable number of evening and weekend hours to spend with family and self.

## The total package

Pay, benefits, perquisites, the work environment and all the intrinsic rewards that it offers should all be used to attract the executive the library needs and wants. It is rare that any one element will be the deciding factor. It's usually a combination of these elements that makes an employment offer attractive. By having a larger view of the possible components of a complete executive compensation package, hiring libraries and executive candidates can both come to the table with a larger number of options.

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