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**BLOG POST**

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# Nonprofit Bonuses and Other Forms of Compensation – A Growing Trend?

The landscape of nonprofit executive compensation is evolving, with a noticeable trend towards more diverse and performance-based pay packages. BDO's 2023 survey of more than 500 nonprofit organizations' approach to executive compensation provides an overview of current practices, including the increasing use of bonuses and other forms of compensation beyond base salaries.

**Bonuses and Annual Incentives:** According to the survey, 42% of nonprofit organizations now include annual incentives or bonuses as part of their compensation packages for executive directors (EDs). This marks a significant shift towards performance-based compensation, reflecting

a desire to align executive pay more closely with organizational goals and outcomes.

**Deferred Compensation:** Deferred compensation plans, including 401(k), 457(b), and 457(f) plans, are also becoming more prevalent. These plans not only serve as a tool for retirement planning but also as a mechanism for retaining top talent by providing long-term incentives.

**Pay Mix Variations by Sector:** As noted above, while a significant number of survey participants indicated that they paid their executives a bonus, the size of the bonus tends to be small relative to what is paid in the private sector. This can be seen in the pay mix analysis which shows the percent of the compensation package paid as salary and the percent paid as a bonus. The survey shows overall nonprofit pay mix and highlights differences in the mix of pay across sectors. For instance, business-related organizations tend to offer a higher percentage of compensation in the form of bonuses and other incentives compared to sectors like education or health and human services, where base salary remains the main form of compensation.

This trend towards more varied and performance-based compensation packages reflects the nonprofit sector's growing recognition of the need to attract and retain skilled executives, especially when trying to compete in the private sector for talent. Offering competitive and innovative compensation packages, enables nonprofits to compete for the talent necessary to execute on their missions effectively.

The evolving landscape of nonprofit executive compensation underscores the importance of flexibility, performance alignment, and strategic planning in developing effective compensation packages. As the sector continues to adapt to changing market conditions and competition for talent, the most successful organizations will embrace these emerging best practices. Learn more about our survey in this [summary infographic](#).