CEO UPDATE

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More groups report cutting CEO and staff compensation, laying off or furloughing workers; many trying to 'live to fight another day'

By William Ehart and Lori Sharn

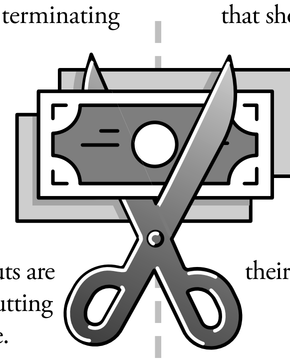
Layoffs and across-the-board pay cuts have struck the association sector, particularly at groups hardest hit by pandemic-related stay-at-home orders. One small group representing food sellers and suppliers at venues like movie theaters says that if its big July meeting is canceled, it could be curtains for the 75-year-old association.

CEO Update talked with a number of groups laying people off and/or cutting pay for staff, including the National Society of Professional Engineers, American Association of Airport Executives, and the National Association of Concessionaires.

Many associations contacted by CEO Update were unwilling to discuss the topic, but attorneys and consultants in the sector can see what's happening.

"We have clients that are actually terminating 10-15% of their staff, while others are furloughing an even larger percentage of staff, with the intent to have them return to work when things get better," said Art Herold, partner at law firm Webster, Chamberlain & Bean.

Many CEOs implementing pay cuts are not sparing themselves, sometimes cutting their own pay by a greater percentage.



"Groups that are looking at pay cuts are very cognizant of it being fairly and proportionately applied," said George Constantine, a partner at law firm Venable. "They're doing it in a way that shows sharing of pain at all levels."

But CEOs with contracts would have to voluntarily agree to reduce pay. Constantine advised such CEOs to amend their contracts with the association because the IRS could tax them on the amount stated in their contract.

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Pandemic taking an ax to association revenue, staff, pay

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Attorney Jeff Tenenbaum, with Tenenbaum Law Group, who represents both boards and executives in employment matters, said he has not seen contracts renegotiations yet, but expects to.

"What I could see, if I was representing the executive, is kind of a deferral, where the executive agrees to take a cut in compensation this year. But assuming the association, by whatever metric they agree to, is back on track a year from now, the executive would have the opportunity to earn that back."

CEOs working without a contract are subject to pay reductions for any nondiscriminatory reason, Tenenbaum said.

Constantine said that by law, cuts in benefits must be applied fairly, he said.

"There are important steps to follow if you're cutting 401(k) or other benefits that are governed by ERISA and other federal laws," Constantine said. "You've got to maintain a structure that is not unfairly benefiting a few top employees."

Engineering survival

Mark Golden, CEO of the $11 million-revenue National Society of Professional Engineers, said the group laid off 12 of 42 employees on April 1 and cut salaries of higher-earning staffers by 10% to 15%, including a 15% cut for himself. Bonuses and raises are also on hold.

"Nobody balked. Nobody complained" about the pay cuts, Golden said. "Everybody realized there were people hurting more than they were."

NSPE's biggest revenue stream dried up overnight when testing company Pearson VUE shut down all its centers March 16. The group makes about $4 million a year from technician certification programs.

Golden said it is still unknown how member dues and rent from tenants of NSPE's headquarters building in Alexandria, Va., will be affected, Golden said.

"We hope to bring some of those (laid off) people back, but we can't promise it will happen," he said. "There could be real permanent losses to the organization, a loss of institutional knowledge."

Travel industry grounded

Todd Hauptli, CEO of the $101 million-revenue American Association of Airport Executives, was forced to lay off 18 staff, or 25% of his once 70-strong workforce on April 20-21, through video calls. The move came after his staff had already taken a pay cut. He declined to specify the size of the reductions in pay, but said he took a cut of an even higher percentage.

Golden

Bole

With the drastic decline in air travel, important lines of airport revenue have been grounded—including revenue from all the goods typically sold at airports and rental cars as well as fees from taxi and ridesharing companies.

"We restructured the organization to better reflect expected revenues for the balance of the year and that meant we were forced to let (the employees) go," Hauptli said in a statement to CEO Update. "It was a very sad day for our organization, as these 18 people worked hard, and faithfully served AAAE and our members, some for many, many years."

The U.S. Travel Association has also cut staff but declined to give more details.

"The association has curtailed future spending and also made the difficult decision to lay off or furlough several of our valued colleagues," according to a statement emailed to CEO Update, attributable only to a spokesperson. "We are hopeful that recovery will allow the return of a number of these positions."

U.S. Travel reported total revenue of $34 million in 2018.

Gearing up

The $3.5 million-revenue American Gear Manufacturers Association implemented about $900,000 in cost reductions, including laying off four of its 21 employees, eliminating bonuses and cutting CEO Matt Croson's salary by 10%, he told CEO Update. Other cuts came from travel, staff training and office expenses.

"We were able to do what we needed to do fairly quickly, while not putting the mission at risk," Croson said.

AGMA had been drawing from reserves the past four years to invest in new programs, including establishing a national training center at Daley College in Chicago, Croson said. Now those classes are on hold, and the cash flow that would have helped sustain the group through the summer is gone. Registration for the group's fall meeting would normally start coming in later in the summer.

Turning a page

Selling books was a low profit-margin industry even before stores closed and Amazon started limiting deliveries, said Angela Bole, CEO of the $1.2 million-revenue Independent Book Publishers Association.

IBPA is in the final quarter of its fiscal year, and two meetings in that period have been canceled, including the group's annual conference. But ample reserves will tide IBPA at least through June 30.

Bole cut her own salary 20% through the end of the quarter but did not reduce the pay of her three staff.

"The new budget for July will take many scenarios into consideration, including reduced salaries, but it's not my expectation that we'll go forward with that," Bole said.

Lights out?

Normally, the movie industry is considered recession proof, said Dan Borschke, chief executive of the $745,000-revenue National Association of Concessionaires. People might stop flying to vacation spots, but usually they still will go to the cinema and buy popcorn and Milk Duds. Not now.

NAC—which also represents sports venues, convention centers, airports and companies with concessions in such places—is in danger of turning out the lights for good, he said.

Things have gotten so bad that NAC had to quickly change its bylaws so that laid-off executives of member companies could continue serving on the board. Otherwise, the governing body would have lacked a quorum, Borschke said. One major event in March had to be canceled, and the fate of the NAC Concession & Hospitality Expo in July, in Orlando, Fla., is uncertain. Together, the two made up 70% of NAC revenue.

Borschke and his four staff have taken a 20% annual pay cut. He says staff, working remotely, is working harder than ever. The group can last another few months, he said, longer if it can get stimulus money.

"(But) canceling our July meeting is not an option, because we would basically be out of business," he said.