



2006 Privacy Professional's Salary Survey

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2006 Privacy Professional's Salary Survey

Authored by Dr. Larry Ponemon, March 31, 2006

I. Executive Summary

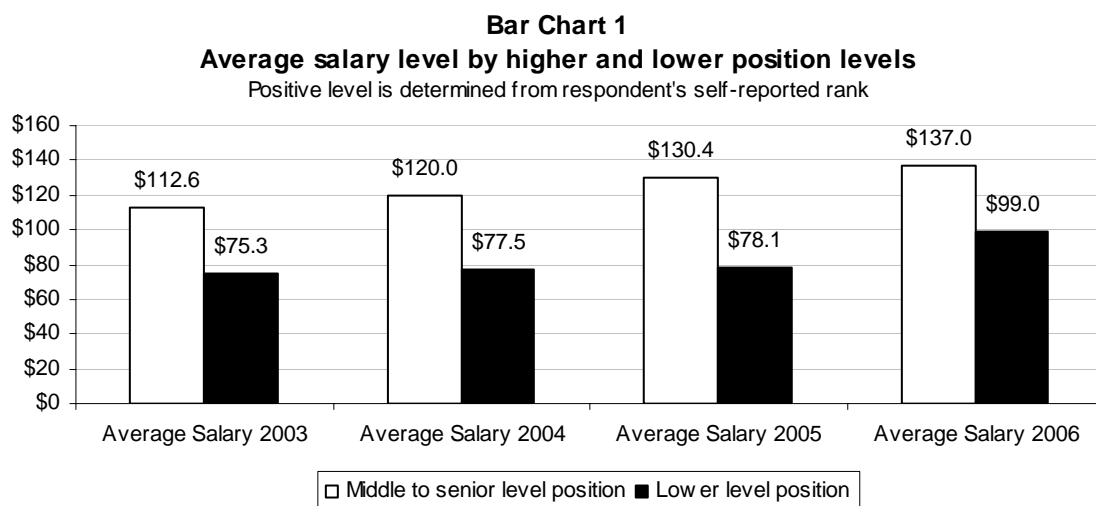
We are pleased to present the fourth annual privacy professionals salary survey in partnership with the International Association of Privacy Professionals (IAPP). The purpose of the study is to understand the role, function and salary levels of privacy professionals in the United States and abroad. The study tracks compensation trends and also digs deeper to learn more about how privacy professionals are spending their time and if they think they should be focusing their attention on other areas.

In July 2006, we distributed a paper (mailed) survey instrument to over 1,800 individuals who are members of the IAPP. This year's survey instrument was reviewed by expert privacy and data protection practitioners from a variety of different organizations. We are especially grateful to Rena Mears and her colleagues at Deloitte for their sponsorship of this research.

In total, 246 privacy practitioners responded to the survey within a six week period. As in earlier studies, no individual or company-identifiable information was captured within our instrument.

On average, 2006 compensation levels for members of the privacy community increased at approximately 9% over the past year, which is significantly higher than the national census income statistics for all professions. The average salary in 2006 was \$121k. Incomes for respondents ranged from less than \$30k to over \$1,000,000.

For privacy professionals in senior level positions (such as CPOs, Vice Presidents, and Directors), compensation levels have been significantly greater than for privacy professionals at all lower organizational ranks. In 2006, the gap between privacy practitioners at higher and lower position levels appears to have decreased. Bar Chart 1 shows the average compensation level for privacy professionals with senior level positions versus those at more junior ranks in their organizations.



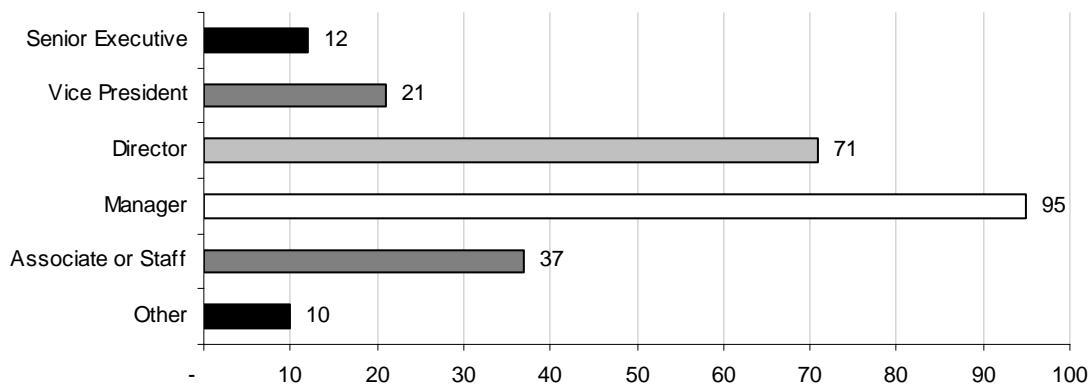
Overall compensation appears to be highly correlated to an individual's organizational reporting position. Those reporting directly to the CEO or CFO appear to earn the highest average income levels. In comparison, privacy professionals reporting through the human resources, security or corporate compliance appear to earn the lowest annual income in 2006.

As in prior years, more women (52%) than men (48%) participated in this year's study. On average, female respondents earned \$114.7k and their male counterparts earned \$127.5k. While this difference in annual compensation of \$12.8k is clearly significant, it is less than the salary gap in prior years. It is important to note that this salary gap does not appear to be explained by other normatively important demographic factors such as position, years of experience, reporting structure or percent of time dedicated to the privacy role.

With respect to industry-specific results, health care professionals earn lower average compensation than other groups (followed by privacy practitioners in manufacturing or governmental organizations).

A majority of privacy professionals responding to our surveys appear to hold positions in the middle or upper middle management level. The most common job titles are: "privacy manager" or "privacy director" or "privacy officer." Those in the senior executive or vice presidential ranks (such as corporate CPOs) are directors, vice presidents or have other senior level titles. Bar Chart 2 summarizes the frequency of respondents according to their self-reported position levels.

Bar Chart 2
Distribution of Respondents by Position Level



Many privacy professionals' job responsibilities include general compliance or legal services, and a large number of respondents indicated that their primary or secondary chain of command is to the corporate law department (30%) or compliance (22%).

The last part of our analysis asked respondents to report how they allocate their time to meet privacy goals within their organization. This part of the survey used a tabular format shown in Table 1.

It does not seem surprising given the rash of data breaches that the percentage of time allocated to the category "responding to privacy incidents" increase from 19.2% in 2005 to 21.8% in 2006. As a result, attention to privacy strategy, analysis of regulations, risk assessment, and management reporting has been affected.

This analysis suggests that privacy professionals have real opportunities and challenges in meeting their roles and responsibilities within the organization. Some of this tension is reflected between the current versus ideal responses.

| Table 1: How privacy professionals allocate their time | Pct% Time 2005 Study | Pct% Time 2006 Study | Difference |
|---|---------------------------------|---------------------------------|-------------------|
| Developing privacy strategy | 7.3% | 6.9% | -0.4% |
| Analyzing regulations | 7.3% | 7.5% | 0.2% |
| Performing risk assessments and data inventories | 4.8% | 8.2% | 3.4% |
| Developing and implementing policies and guidance | 13.8% | 11.1% | -2.7% |
| Developing and performing training and communications | 8.1% | 8.3% | 0.2% |
| Monitoring and measuring compliance (enforcement) | 4.3% | 7.8% | 3.5% |
| Reporting to management | 2.4% | 6.2% | 3.8% |
| Administration (personnel and budget) | 8.5% | 7.0% | -1.5% |
| Advising/consulting to the organization | 12.9% | 15.2% | 2.3% |
| Responding to incidents | 19.2% | 21.8% | 2.6% |

Given that the privacy profession is still in an early or emerging phase of development, it is likely that role and responsibilities for IAPP members will change over time. Such changes will likely be predicated on the maturity of privacy regulations and the sophistication of corporate compliance programs. As in earlier studies, it also appears that the privacy professional's role continues to vary by industry sector, organizational size, geography and other normatively important factors.

II. Research Questions

The 2006 study seeks to expand on the results of our first three salary studies completed over the past four years. Our research goals are defined by the following eight questions:

- What is the compensation level of privacy professionals and how has their salary changed over the past four years?
- How do privacy professionals spend their time fulfilling their responsibilities?
- Are there significant gaps between how privacy professionals are required to allocate their time versus how they would prefer to allocate their time?
- Does certification matter when it comes to compensation?
- How does compensation vary for individuals with different titles and job responsibilities?
- Do organizational reporting relationships affect compensation?
- Do compensation levels vary by other key factors such as industry, organization size, gender, education and experience?

Caveats on the Survey's Findings

There are inherent limitations to survey research that need to be carefully considered before drawing conclusions from sample findings. The following items are specific limitations that are germane to the present study. If you have any questions about the study, or about how specific results should be interpreted, please do not hesitate to contact Ponemon Institute (address and e-mail information provided at the end of the final section).

Non-Response Bias. The current findings are based on a sample of survey returns. Over 1,800 surveys were mailed to IAPP's membership (based on an "opted-in" mailing list) with 246 usable

returned responses (or 13%).¹ While tests of late responses were performed to assess non-response bias, it is always possible that individuals who did not participate are substantially different in terms of compensation and other job-related functions from those who completed the instrument.

Sampling-Frame Bias. Because our sampling frame is the IAPP membership mailing list, the quality of results is influenced by the accuracy of member contact information and the degree to which the list is representative of the population of privacy professionals being studied. It is our belief that the IAPP list was reasonably accurate at the time of mailing the survey. Although IAPP is the largest association dedicated to privacy, we acknowledge that the results may be biased in two important respects:

- Financial services and health care are the largest industry group within the IAPP today (perhaps because of GLBA and HIPAA). Hence, while other industry concentrations are represented, the IAPP membership list is skewed toward highly regulated organizations.
- The IAPP membership is primarily located in North American-based organizations. While Canadian, European and Asia-Pacific members exist within the association today, results of this study should not be generalized to other parts of the world.

Extrapolated Salary. Salary information is very sensitive. Therefore, the current instrument allowed individuals to use a categorical response variable (salary range) rather than a single measure (salary amount) to disclose current compensation. Our analyses relied on both measures. In some cases, the mid-point to the categorical response variable was used as a surrogate measure for salary. There was no indication that this procedure created bias or error. However, the extrapolation of salary from a range should be considered as a potential limitation when interpreting results.

Unmeasured Demographics. To keep the survey concise and focused, we decided to omit other normatively important variables from our analyses. The extent to which omitted variables might explain salary cannot be estimated at this time.

Self-Reported Results. The quality of survey research is based on the integrity of confidential responses received from subjects. While certain checks and balances can be incorporated into the survey process, there is always the possibility that a subject did not provide a truthful response.

III. Survey Methods

The salary survey was developed with the goal of collecting information from privacy practitioners in a convenient fashion. The researchers wanted to limit the number of survey items to two (four-sided) pages with a one page a cover letter. In general, a concise survey would result in a higher response rate and better quality results. The researchers also decided to use a paper survey, rather than electronic (Web) survey, to provide additional safeguards over privacy and confidentiality issues.

To keep the survey form to one page, survey items were carefully limited to only those factors that were deemed to be crucial to the research objective. Hence, items focused on job function, salary level, bonus compensation and perception of compensation fairness. Other descriptive items were selected to explore key relationships between compensation and various job-related or organizational variables.

¹ The 2006 response rate is lower than prior years. We believe that this is due, in part, to the increased size and complexity of the survey instrument. The 2006 survey form contained four full pages of text questions.

A first full draft of the survey instrument was developed by Ponemon Institute in late March 2006. The draft instrument was reviewed by several leaders in the privacy community to provide suggestions for improvement. The second draft instrument was shortened for clarity and finalized with the approval of the IAPP.

In total, the survey contained 25 items (including two complex tables for assigning percentage job function activities). Only one item used free text, requiring subjects to provide the title of their current position. A fixed-format design was used for the remaining 24 items. Because salary information is highly confidential, the current survey gave subjects a choice as to how they wished to express their compensation level.

Once completed, the survey was printed and mailed to the current IAPP list of members. Assurances were provided by the IAPP that names on the list provided sufficient consent (in the form of an "opt-in") to receive the joint research instrument. Only IAPP and its official outside mail contractor had access to the list of members.

A few days before the actual mailing, an e-mail announcement from the Executive Director of the IAPP was sent to all members requesting their full participation in this annual study. The e-mail announcement and cover letter that accompanied this survey asked members to mail the completed instrument on or before a specified date. A postage paid envelope was provided with the instrument, with a pre-printed return address to Ponemon Institute's Research Department.

To maintain complete confidentiality, the survey instrument did not capture individual or company-specific information of any kind. Subject materials contained no tracking codes or other methods that could link responses to the IAPP mailing list. In a few instances, subjects returned their survey in a business envelope. In these cases, our procedure required the immediate removal of the instrument, with the envelope being destroyed. In other instances, individuals sent their completed survey through e-mail. Again, in these cases, the instrument was printed and the e-mail immediately deleted.

Upon entering the survey information, the researchers examined each instrument for completeness. Only seven instruments were rejected based on incomplete responses. In addition, each instrument was reviewed for consistency, such as a comparison of job title and organizational level.

Table 2 provides a simple summary recap of sample mailing and response overall results. Please note that the 2006 survey had an overall response rate of 13%, the previous year's survey had an overall response rate of 18.5%. We believe that the reduction in the rate of response is directly attributable to the increased complexity of the survey instrument.

| Table 2 Response statistics | Freq. | Pct% |
|--|--------------|-------------|
| Total IAPP letters mailed | 1,899 | 100% |
| Returned to sender (change in mailing address) | 43 | 2% |
| Total responses | 275 | 14% |
| Total rejected surveys | 29 | 2% |
| Final sample | 246 | 13% |

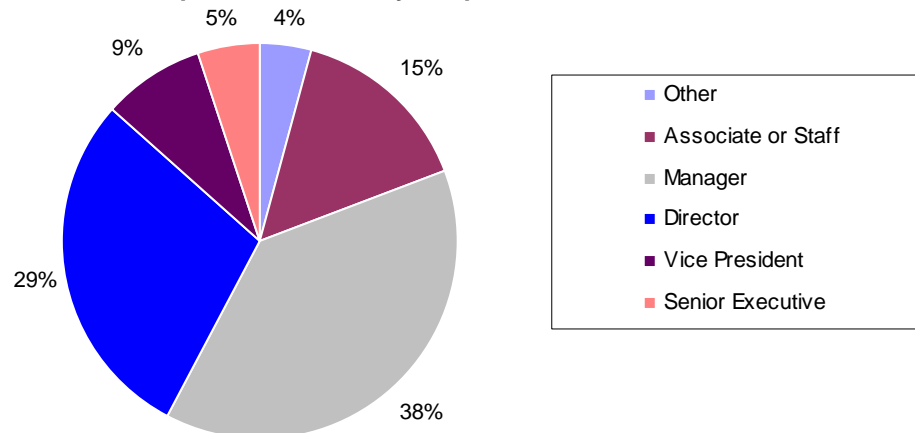
To assess non-response bias, the researchers employed a late response testing method using the postal batch date, recorded when the U.S. Postal Service received each postage-paid envelope. The results of this test showed no differences whatsoever in the pattern of salary information provided by subjects over time. In addition, the researchers conducted informal telephone interviews with members of the privacy community to assess their reaction to the

survey and to ask them if they participated. Albeit a non-scientific test, there were no apparent differences in salary or job function noted between those who said they participated and those who did not.²

IV. Sample Description

This section provides a summary of the 246 subjects who participated in this study. Pie Chart 1 shows the distribution of our study by each subject's position level.

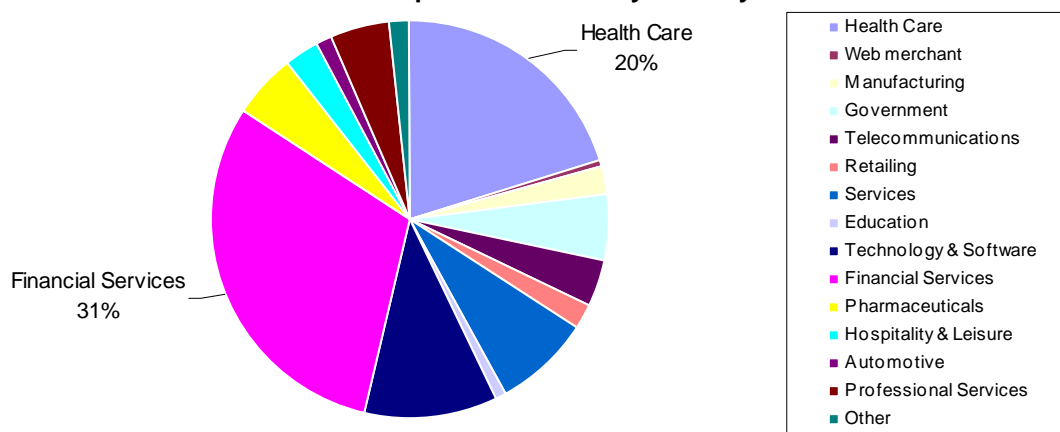
Pie Chart 1: Sample Distribution by Respondent's Position Level



As can be seen, the largest number of respondents is at the manager (38%) or director (29%) levels, respectively. A smaller number of respondents hold positions at the senior executive, vice president or associate levels.

Pie Chart 2 shows the sample of respondents by their primary industry sector.

Pie Chart 2: Sample Distribution by Industry Sector



It shows that the largest percentage of respondents (31%) work in the financial services industry. Another 20% work in health care. The remaining 49% work in a variety of industries including

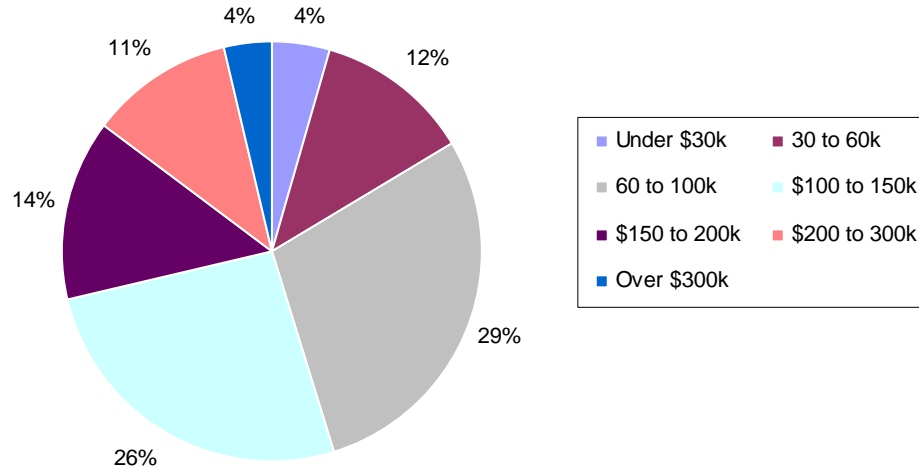
² There were various reasons suggested during the debriefing interviews for not participating in the salary study – most notably, insufficient time, delegated responsibility to another individual, no recall of receiving of the survey from the IAPP, and company policy requiring approvals from legal before completing the instrument.

manufacturing, technology, telecom, hospitality, retail (including Web merchants, services (including consulting and law firms), government and education.

V. Survey Results

This section provides descriptive analyses of annual compensation levels (reported in US\$ with 000 omitted) for the current sample of 246 privacy professionals. The mean salary level for the 2006 sample is \$120,840, which is an increase of approximately 8.9% from 2005 at \$109,146 (with a standard deviation of \$35,996). The distribution of self-reported salary range is shown in Pie Chart 3.

Pie Chart 3: Distribution of Respondents by Salary Range



The largest group of respondents (about 29%) earns pay levels between \$60k and \$100k. The second largest group (over 26%) earns pay levels from \$100k to \$150k. About 14% of individuals earn from \$150k to \$200k and very few respondents (about 4%) earn compensation in excess of \$300,000. Most of the highest income earners appear to work for professional service organizations such as law firms or global consulting companies.

**Figure 1
Mean & Median Salary for 2003, 2004, 2005 and 2006**

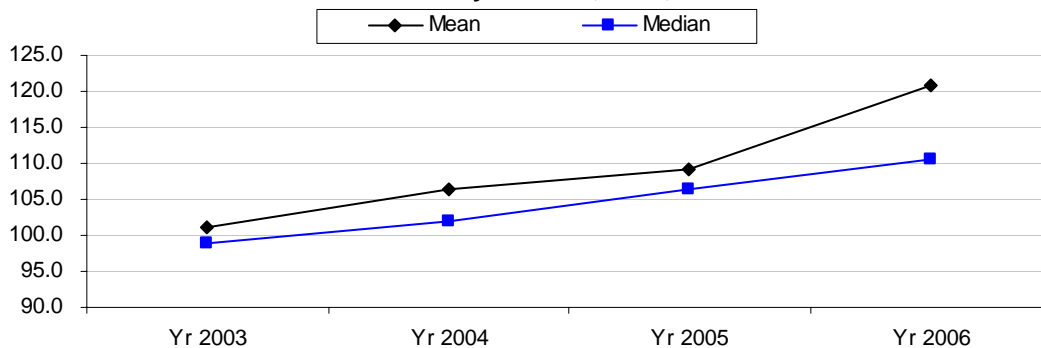
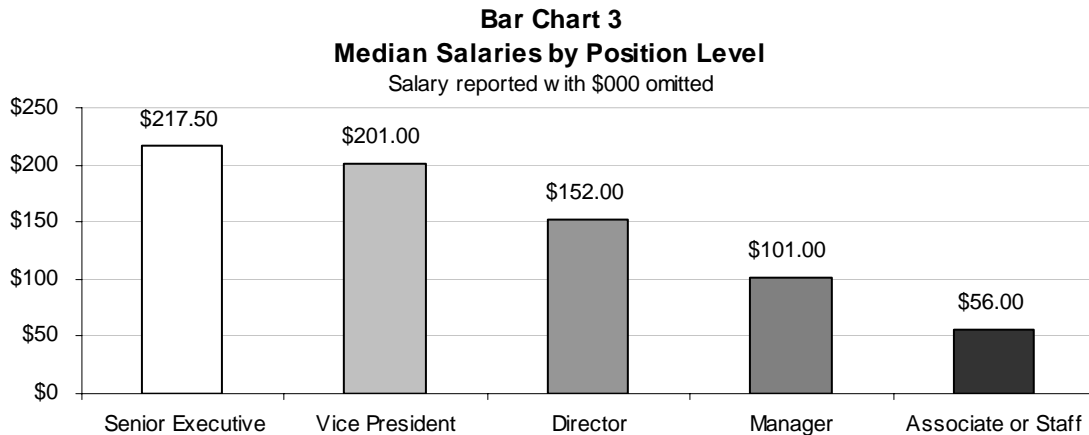


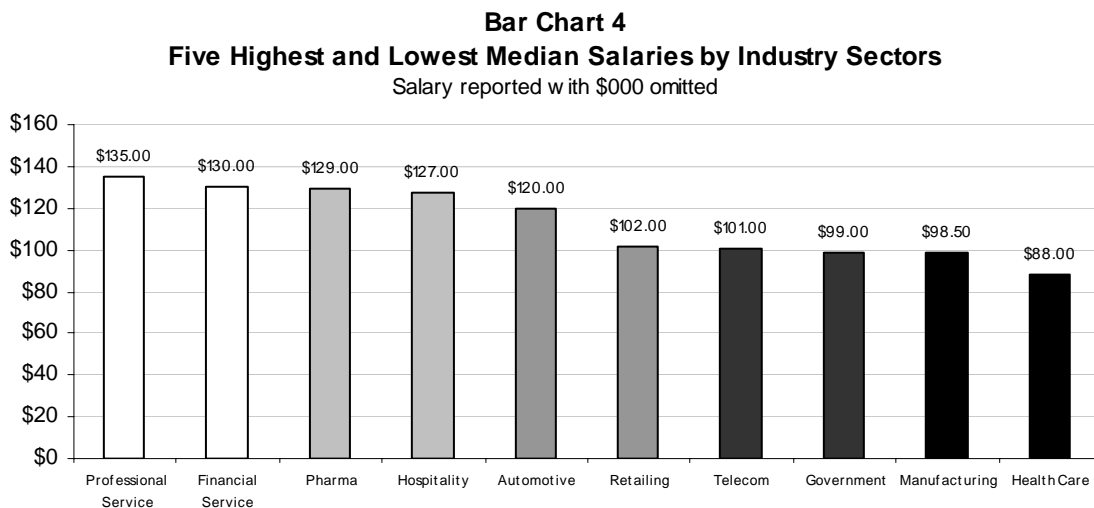
Figure 1 presented above provides a simple line graph that shows the change in both mean and median salary levels over the past four years. This period represents a significant growth in the

average salary of privacy professionals. Also, mean salary value is above median value in all four years, and the difference between mean and median is greatest in the current study.³

Bar Chart 3 reports the median salary levels according to respondents' organizational rank. Senior executives command the highest salary among privacy professionals (\$217), followed by individuals at the vice president level (\$201k). Respondents who are directors (\$152k) earn substantially more than those who are Managers (\$101k). Privacy staff, associates, and administrative personnel are likely to be the most junior personnel in the privacy office and earn the lowest self-reported compensation.



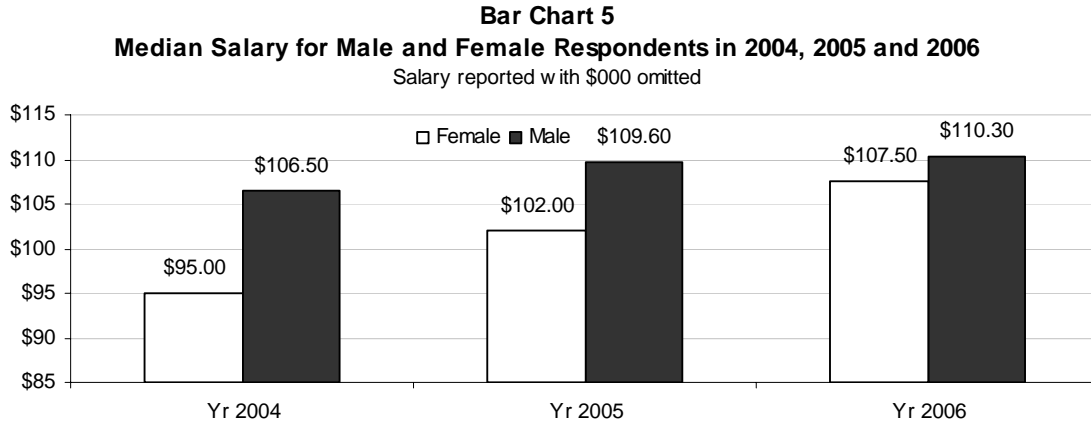
Bar Chart 4 reports the median salary for privacy professionals based on their industry sectors. As shown, respondents in professional service firms earn the highest salary level, while those in the health care sector earn the lowest salary level.



These data clearly show that salary levels vary considerably based on the privacy practitioner's industry or sub-industry group.

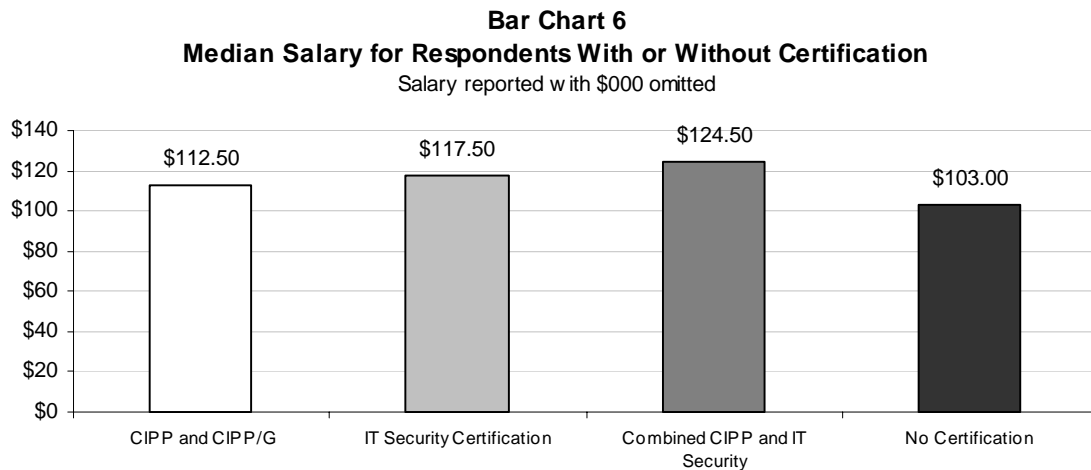
³ Median rather than mean salary levels are used in this report because the mean values were positively skewed by outliers, including reported salaries in excess of one million dollars.

Bar Chart 5 reports the median salaries for male and female respondents during the past three years. As shown, median salary levels for male respondents are higher than for female respondents. The difference in median salary levels, however, appears to be decreasing during the three-year period.



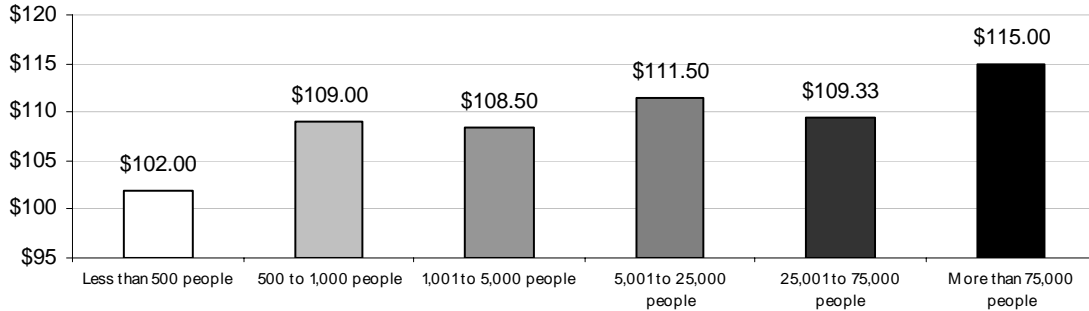
Specific tests were used to determine if salary differences by gender could be explained by other demographic variables such as age, experience, geographic location, organizational size and role description. While some of these variables have minor correlations to gender pay differences, none fully explains the salary gaps shown above.

Bar Chart 6 compares the median salary levels for respondents with or without professional certification in privacy (Certified Information Privacy Professional), data security, and both. It is clear that median salary levels for respondents with relevant certifications are higher than for respondents without any certification. Individuals with both the CIPP and another recognized data security certification (such as the CISSP or CISA) earn the highest median salary level.



Bar Chart 7 provides an analysis of median salary levels by organizational size. In this chart, we use the organization's headcount to approximate size. As can be seen, the lowest median salary level occurs in organizations with less than 500 (full time equivalent) employees. In contrast, median salary levels are highest for organizations with more than 75,000 employees. It appears that organizations in excess of 500 and less than 75,000 employees have median salaries that are close to the overall median.

Bar Chart 7
Median Salary by Organizational Headcount
Salary reported with \$000 omitted

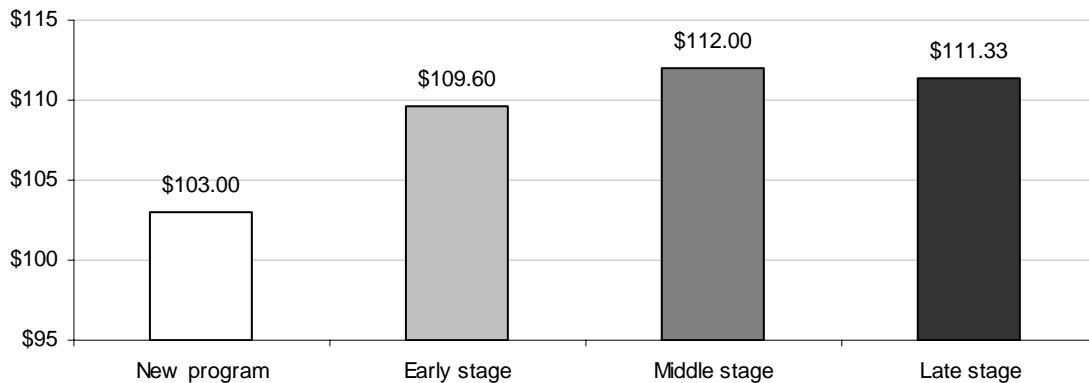


The survey instrument captured self-reported information from each participant about the maturity level of their company's privacy program. Following are the definitions used in the survey to describe five stages of privacy program maturity:

- New program – Privacy program is just starting to become staffed and organized.
- Early stage – Privacy program is in existence and is starting to launch key initiatives.
- Middle stage – Privacy program is starting to evaluate the effectiveness of key initiatives.
- Late stage – Privacy program is in maintenance mode focusing on program evaluation and refinement.

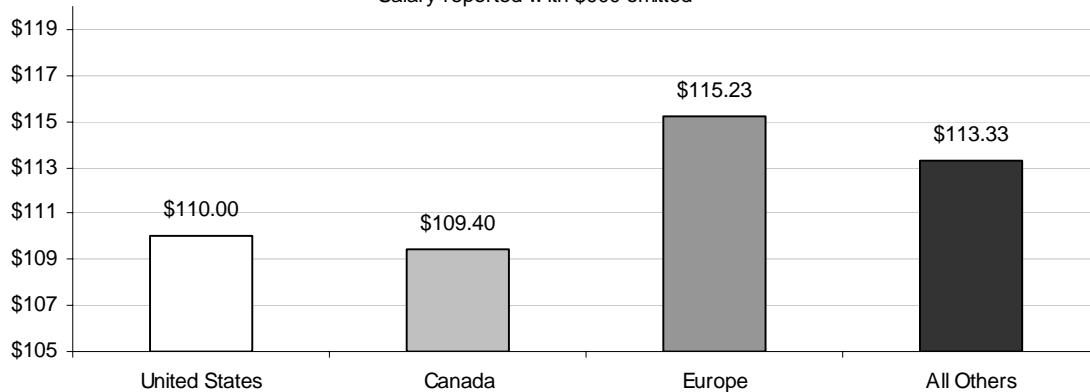
Bar Chart 8 reports the median salary levels according to the four maturity stages indicated above. The results clearly show that median salary increases as privacy programs matures from \$103k for respondents in new programs to over \$112k for individuals working in organizations in the middle stage of maturity.

Bar Chart 8
Median Salary by Privacy Program Maturity
Salary reported with \$000 omitted



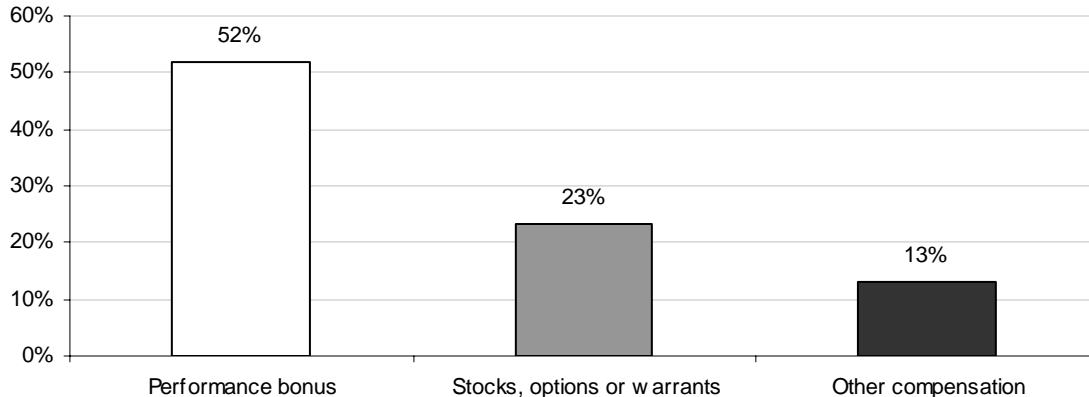
Bar Chart 9 reports the median salary levels of respondents in the United States, Canada, Europe and other regions of the world. It is important to note that the sample size for IAPP respondents outside the United States is a relatively small group (n = 26 respondents). As shown, the median salary levels vary slightly from a low for Canadian respondents (\$109k) to a high of (\$115k) for European respondents.

Bar Chart 9
Median Salary for U.S., Canada, Europe and Other Regions
Salary reported with \$000 omitted



Our final bar chart shows the percentage of respondents who report receiving other forms of compensation (cash and non-cash) in addition to their base salaries. As shown in Bar Chart 10, over 52% of respondents receive or plan to receive a performance bonus. About 23% of respondents believe that they are entitled to stock options or warrants. Finally, 13% believe that they will receive other forms of compensation.

Bar Chart 10
Other Forms of Compensation



Over 55% of respondents believe their compensation is fair (at expectations), and 17% of subjects believe their compensation is above others with similar experience and education within their organizations. The remaining (28%) believe their compensation is lower than others with similar experience and education.

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