PayScale Matching Method

OPTIMIZING YOUR DATA RESULTS

This paper describes PayScale’s data matching process and provides tips on how to maximize the accuracy of job matches using the PayScale system.

UNDERSTANDING COMPENSATION INFLUENCERS

Certain *compensable* factors about the job, the organization and the incumbent explain why jobs get paid what they do in the marketplace. Examples of compensable factors include industry, size of organization, location of the job, job specialties and skills necessary to perform the job, relevant experience, educational and certifications, and the quantifiable scope of the job.

The more accurately you identify the compensable factors that drive pay for the specific position, the better you are able to determine what you should pay that position. However, most surveys use only a small number of fixed compensable factors to explain position pay (experience, location, company size), which is often not enough data to determine what a position/employee should be paid.

PayScale uses statistical algorithms to determine which combination of these pay influencers best depict what drives pay *for each particular job definition*. PayScale does not automatically presume that groups of jobs have the same compensable factors. Instead, PayScale analyzes how people doing that particular job get paid and reports back *which* compensation influencers are relevant to look at. This practice provides a far more accurate match to what people are really being paid in the marketplace.

DEFINING YOUR JOB

Starting with job title, PayScale looks at multiple variables to determine the proper compensable factors that make up a position’s pay:

**Title.** The first thing you learn when you use salary surveys is not to match on job title alone. Yet, the very first thing you do when you define your job with PayScale is to match your title to a PayScale title. Isn’t that just what you are

For example, if you select a Programmer title you’ll be asked to specify specialty areas (application development), skills (C++, DHTML), certifications (MSCD), and degrees (B.S. Computer Science) that are specific to Programmer type jobs.
NOT supposed to do?

Think of the PayScale title you select as just a starting point - a key that opens up an additional set of relevant questions about the job, with the most popular answer choices for the specific job you selected.

As you answer these job-specific questions you are building YOUR UNIQUE job definition that PayScale will use to price your job in the market. You are not trying to match to a generic job that has already been priced.

When you’ve completed the questionnaire you will have built a job definition similar to your internal job descriptions that fully defines your job. When PayScale searches for comparable profiles it is using all of your answers to the job-specific questions, not just the title. It is the most complete matching process possible.

**Well-defined Job.** PayScale allows you to define compensable factors separately to determine to what extent, if any, they actually influence pay in the market. However, because PayScale does not rely on job title alone, and because you are not matching to a generic job description that has already been priced, it is important to define the PayScale job well. The more precisely you define your job (or employee) the more comparable the profiles will be that are returned by PayScale’s search.

If you leave a compensation influencer question like “years of experience” unanswered, PayScale will automatically use the distribution for that factor from our database. However, that distribution may not match the years of experience for that role in your organization, which in turn may produce reports that appear too high or too low.

It is important to think in terms of the type of individual who performs the job not just the minimal requirements stated in the job description. When you specify the minimum requirement for the job you are effectively pricing the **MINIMUM** of the competitive salary range for a job or employee, not the going-rate for the typical incumbent in your organization or competitively in the marketplace.

PayScale tracks the actual years of relevant experience, education, skills, and certifications of people actually doing the job in the marketplace. Our search will return as exactly as possible whatever you define for the job (or employee) so be certain that your definition fully describes the caliber of individual that you want in the job.
Leveling. Traditional surveys embed many pay influencers into their brief job summary – the level of the job (“Senior”, “IV”), the minimum requirements (experience, education, certifications) and occasionally some dimension of the scope of the job (number of employees supervised, or the size of the budget they manage).

With PayScale you define your own levels rather than pick from some arbitrary set of generic titles. We break jobs down into compensable factors that you define and then we search for matching profiles and determine which combination of the compensable factors best describes the market value for your definition.

*NOTE:* Some PayScale jobs have been maintained in the system for legacy reasons and do have some degree of leveling incorporated in the title. For example, you may find a “Senior” or “Associate” title. These title prefixes do not have any inherent value. Senior does not equate to a specific number of years of experience, or a specific degree or certification. It reflects a general hierarchical ranking in a job family. You can use these or not at your discretion. In the example above you might use Senior Engineer for level III and Associate Engineer for level I. If you had a four tier job family you might use the “Senior” job for both levels III and IV and use the compensation factors (experience, education, certifications, degree etc.) to differentiate between these levels.

Scope Dimensions. There are certain quantifiable dimensions that define the magnitude or scope of the job, or work performed by an employee, that correlate highly with what people get paid in the market. These dimensions may not be reflected in the job description and the temptation may be to overlook them or guesstimate them.

Scope dimensions can impact the market value of a job by thousands of dollars, and in some cases tens-of-thousands of dollars so it is worth the extra effort and time to accurately describe the scope of your jobs.

There are two broad types of scope dimensions: **Managerial dimensions**, as the name suggests, are a set of questions that apply generally to management jobs including number of employees supervised, signing authority, and budget managed. **Job-Specific dimensions** vary by the specific job being market-priced and will be served up automatically by PayScale’s questionnaire based on the title you’ve selected. A classic example: annual sales volume and average sales price for sales jobs.

Defining Your Target Market. As important as it is to define your job fully, it is equally important to identify and define your target market. Whether you choose to define your market based on business competitors or organizations with
whom you compete for the knowledge and skills required for your business to succeed, you’ll get the optimum results from PayScale’s matching methodology when you specify the compensable factors that may turn out to be key pay influencers: Factors such as industry and products, company size, employer type and location.

You may want to target different markets for different circumstances. A start-up company, for instance, may want to target the company size they aspire to be in the near-term in order to attract the caliber of management that can lead an organization of that size. Or, a company may want to ignore size altogether, and in some cases even industry, for certain categories of professional jobs.

**Interpreting Your Job Description.** On the following page you will find a simple illustration of how to “interpret” a typical job description to get the optimal results from PayScale’s breakthrough methodology. Taking the extra time to do the initial match of PayScale compensable factors to your job description will allow you to tap into the millions of individual profiles in the PayScale database to find those that most closely match your job and yield the best results.

Traditional surveys may analyze two or possibly three pay influencers (industry, company size, a scope dimension, or functional area-location-job family level). Instead of choosing two or three compensable factors that may or may not be pay influencers for a particular job, PayScale searches across ten or more possible organization, job and incumbent compensable factors and identifies the exact combination of pay influencers that best describes the market for your job:

- Industry
- Company Size
- Location
- Relevant experience
- Skills
- Specialty areas
- Certifications
- Education
- Managerial scope dimensions
- Job-specific scope dimensions

See the sidebar and example job description on the next page for clues on how to interpret a typical job description.
HOW TO INTERPRET A TYPICAL JOB DESCRIPTION FOR PAYSCALE MATCHING PURPOSES ...

TITLE: “VP & Controller” initiates the next series of job-specific questions and answer values (e.g., skills, specialties, degrees, certifications, and scope dimensions associated with a CFO)

JOB DESCRIPTOR & TASKS: Confirmation that the internal job is comparable to PayScale’s Vice President (VP) Finance & Chief Financial Officer (CFO)

SKILLS & SPECIALITIES: Position includes the following specialties and skills:
- Financial planning
- Budgeting
- Procurement
- Investments
- Treasury functions
- Audit

EXPERIENCE: The incumbent (or typical candidate for an open job) has 20 years of relevant work experience even though the minimum required is only ten years.

EDUCATION: The incumbent has an MBA in finance even though it is only preferred, not required.

CERTIFICATION: The incumbent is a CPA

SCOPE DIMENSIONS: This job description needs to be supplemented with additional information:
- # employees supervised
- Budget managed
- Authority level
- Reports To (title)
- People management tasks

IS THE JOB DESCRIPTION MISSING INFORMATION?
This sample job description does not include any scope dimensions. These questions determine the extent to which magnitude of the job impacts pay.

[HINT: Supplemented data can be added to the job description under the Dimensions subheading.]