COMPENSATION BEST PRACTICES

A guide to managing compensation and pricing jobs confidently using salary market data.

payscale

Intelligent streams of curated, diverse, and validated, compensation data.

THE PAYSCALE DATA PORTFOLIO

Money can't buy happiness, but a sense of not being compensated fairly does create unhappiness for employees. The needs of the employer are evolving quickly and why your organization needs a strategic compensation plan. Data should be at the heart of this plan.

Obtaining multiple sources of salary data enables organizations to confidently price jobs to attract and retain the talent needed to grow your business. The Consumer Price Index (CPI) shows that inflation has risen 42 percent since 2006, while the Payscale Index shows wages have risen nominally by 23 percent in that time.

Payscale's diverse data portfolio will empower your organization to keep pace of market and salary trends, and give you the confidence to be transparent with employees about their pay.

SALARY MARKET DATA

Compensation market data is what enables organizations to confidently price jobs. It allows you to assess what an employee should be paid relative to other people with the same job or similar responsibilities in each location.

Compensation experts recommend using a minimum of three sources to triangulate the true market and to counteract the biases from any individual sources. According to the Payscale Compensation Best Practices Report, 68% of orgs use two to four sources of market data to price their jobs.

Since there are a variety of compensation data sources available, it's crucial that you choose wisely. Factors to consider when determining the right data sources include:

- Industry
- Type of jobs in your organization
- Highly technical or fast-moving jobs
- Competitive labor markets
- Specific competitors
- International needs

GET STARTED

As you consider your salary market data approach, be sure to answer these questions:

1. How often will you complete a full market study?

2. Are there jobs or functions that require more frequent market review, and if so, what is the process for that?

3. How will you communicate salary market data findings, and to whom?

✓ **Be current, accurate, and validated**

✓ **Include the data for your jobs**

✓ **Enable your pay philosophy and strategy**

SOURCES OF COMPENSATION DATA

When selecting your market data, look for current, accurate, and validated sources that support the jobs, geographies, and industries that are relevant for your organization.

TRADITIONAL SURVEY DATA

This category includes some firms you're probably already familiar with: Mercer, Radford, Aon-Hewitt, and Willis Towers Watson. Organizations participate in these surveys by matching their job areas, levels, and job descriptions to survey data to help determine pay. The firm then verifies and crunches the numbers to provide distributions back to the participants, typically for a fee.

Considerations:
- The methodology of this data source is well-understood. They typically provide a participant list, giving visibility into which businesses (and competitors) are also participating in the survey. Usually, this list contains mostly larger companies.
- This data is gathered annually and generally published in spreadsheets. It's time consuming to participate in the surveys, and the data is often underrepresented for small businesses and rural areas. Also, because the data is not updated frequently, there may be gaps for specific, new, or hot jobs.

Frequency of updates:
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AGGREGATED DATA

As the name implies, aggregate compensation data refers to pay data collected from multiple sources and compiled into summary reports. The data sets offered by pre-mixed data providers are often a curated combination of traditional and industry surveys with data modeling to fill in the gaps.

Considerations:
- This type of data is a ready-to-use and multi-sourced composite, which is great for busy HR professionals.
- Depending on the provider, there may be limited transparency in terms of the data sources. As a result, answering questions about the methodology or data specifics can be a challenge.

Frequency of updates:
- Payscale's HR Market Analysis aggregated data model is updated monthly. For other providers, the aggregation process may make it difficult to confirm how often sources are refreshed, updated, or otherwise manipulated.

HRIS OR INTERNAL COMPANY DATA

Another source of salary information can come from an organization's internal data, such as from an HRIS or other internal database.

Considerations:
- You can use internal salary data to analyze pay compression, below-range pay, and compliance concerns like gender pay equity and pay for other protected classes. This data set is an easy resource to compare departments or people with the same title.
- Gathering, sorting, and structuring data can be a manual process. Internal data sets do not give you visibility into the external market.

Frequency of updates:
- The freshness of data will depend on how often you update and manage your internal systems, as well as how often you provide your data files to your compensation software provider. Some data may be real-time, while others may update daily, weekly, or monthly.

CLOSED NETWORK HR-REPORTED SALARY DATA

There are also options for organizations to join a peer-based or industry network that provides data.

Considerations:
- These data sets help to drill down into fresh data from specific leading companies or competitors to further understand talent and the market in a specific industry or location.
- It's important to verify collection methodology as well as frequency of updates to confirm relevancy and accuracy when using these data sets.

Frequency of updates:
- The freshness of data will depend on the data provider's update schedule.

EMPLOYEE-REPORTED DATA

Employee-reported data sets are sourced and submitted by employees. Providers use a real-time survey to gather data from employees, also known as "the crowd."

Considerations:
- Because employees know the most about their own jobs, crowdsourced data allows for much more specific details such as skills, certifications, and education levels.
- There may be some groups that are underrepresented with crowdsourced data, such as executive levels or minimum wage workers who are as likely to submit surveys.
- When using employee-reported data, it's important to know the validation process for the data.

Frequency of updates:
- This data type is often updated daily and provides near real-time trends.

FREE OR OPEN ONLINE DATA

Organizations might choose to gather data from job listings on sites such as Indeed or Monster. Data can be extracted from listings using technology or by browsing what's available online.

Considerations:
- This data source provides direct insight into the demand for labor since postings are created when a position is open.
- Free data pulled from the web can be messy and require extensive time and effort to obtain.
- Ranges in job postings make it difficult to determine the actual pay for someone in the role or for the person who accepted the job.

Frequency of updates:
- The freshness of free or online data is variable, but legislation around the globe trending towards pay ranges being included in job postings may make this data timelier.

GOVERNMENT DATA

The U.S. Bureau of Labor Statistics provides Occupational Employment and Wage Statistics data. The data covers broad compensation trends and is available for specific locations and industries. They often represent dated timeframes making them less relevant. While it's difficult to use this data for competitive ranges, it is available for free on their website.

MORE DATA = CONFIDENT DECISIONS

BENCHMARK JOBS USING YOUR DATA SOURCE

A benchmark job is a job that regularly exists in the market. To compare your jobs with the market, those jobs need to exists in the market. The industry suggests that matches should be at least 70 percent aligned.

Considerations:
- What is the essence of the job? What level is the job? What are the top three job responsibilities and essential skills for the job? Does this job have supervisory responsibilities?

Frequency of updates:
- The freshness of scraped data is variable, but legislation around the globe trending towards pay ranges being included in job postings may make this data timelier.

Payscale has the validated, continually refreshed data directly from employees, employers, and trusted publishers. Discover how the <u>salary data from Payscale</u> can be the key ingredient to help your organization solve compensation challenges for modern times.

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