How to Strengthen Your Salary Data Strategy

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Today's Presenters

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Today's Agenda

- The best data strategy for your organization

- Other considerations:
  - Data transparency
  - Data bias
  - Data and AI

- Q&A

A compensation data strategy has three components

Input Data

Internal Process

Communication

Questions to answer as you evaluate any data source

Coverage	Can I find (or slot) my jobs?
Repeatability	How easy is it to repeat my methods, queries? Are the numbers noisy over time?
Methodology and Explainability	Where are the numbers from? How are they calculated? Are any numbers derived? By what methodology?
Freshness	How old are the data?
Biases	Are the data biased towards larger companies? Mostly from one location?
Audience	Who can see these data? Will my employees also be able to access this information?

Questions to answer as you develop your internal processes and compensation strategy

Aggregation	How do we aggregate multiple sources?
Integrate internal data	How do we handle the company's "old" ranges or pay of current incumbents when using market data?
Ranges	How do we generate ranges?
Job Postings	How will we calculate what range we will list in a job posting?

Questions to answer as you think through communicating your strategy

How transparent will we be?	Will we share methodology / ranges / market data / pay?
What will we provide to employees?	Will we tell employees where they sit against the range / market / their colleagues?
How will we explain the data sources?	Will we talk about which data sources we use, why and how? Will we talk about how we aggregate data?
What more do we need to know?	What regulations apply to us? What are our competitors for talent doing?

A compensation data strategy has three components

Input Data

- Coverage
- Repeatability
- Methodology and Explainability
- Freshness
- Biases

Internal Process

- Aggregation
- Integrate internal data
- Ranges
- Job Postings

Communication

- How transparent will we be?
- What will we provide to employees?
- How will we explain the data sources?
- What more do we need to know?

Data transparency

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Data Transparency

- **Pay transparency** is on the rise.

- The primary goal of pay transparency is to promote fairness, equity, and trust by ensuring that employees understand **how their pay is determined** and **how it compares** to that of their peers.

- In practice this means openly sharing information about employee compensation- including **how it is determined**.

- This can extend to **transparency of data**, including sources and data strategy.

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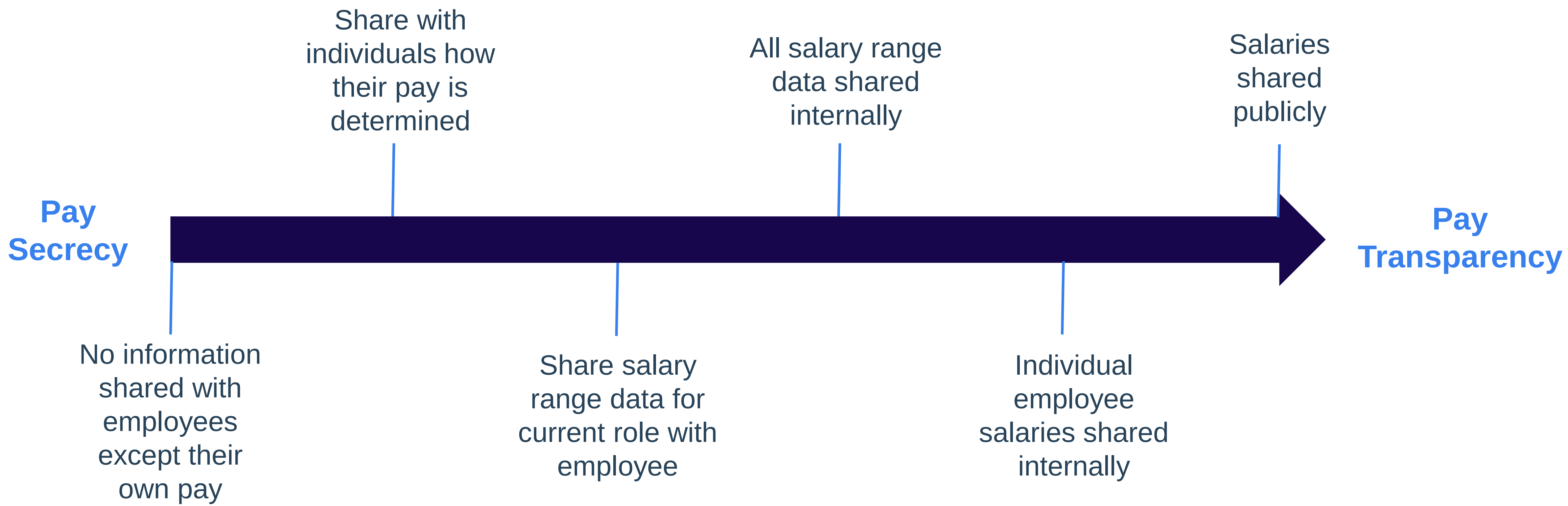
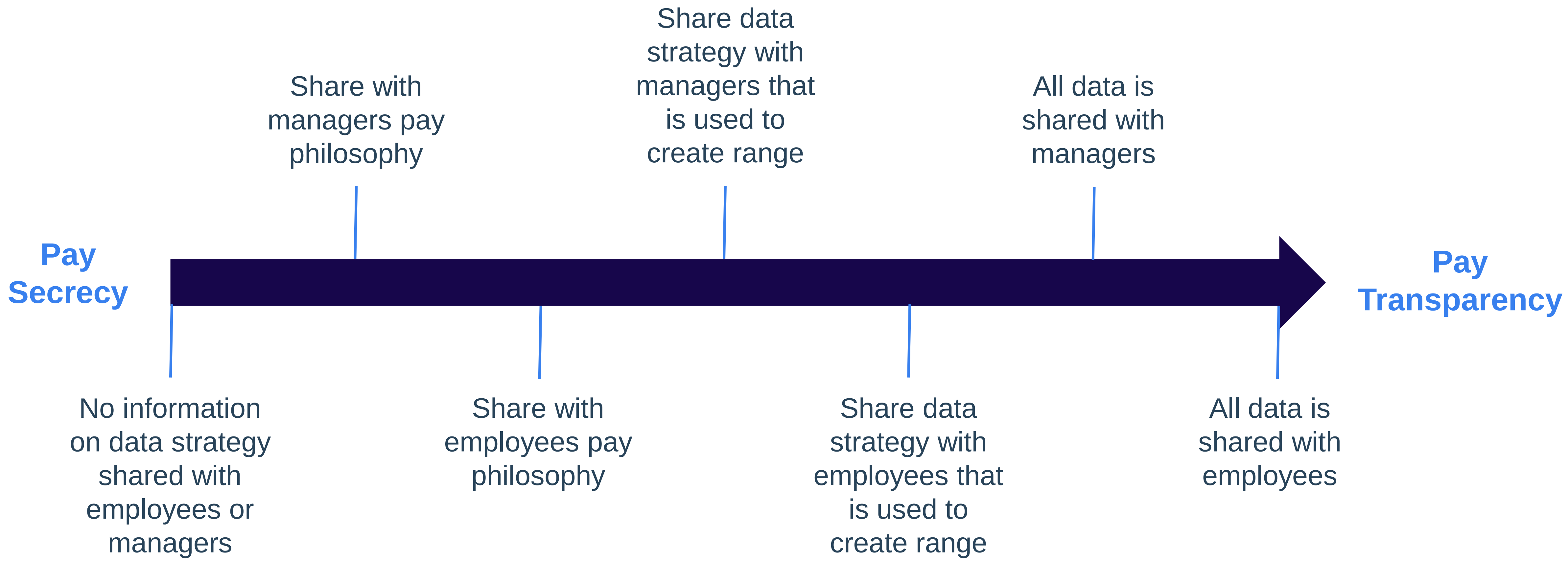
The pay transparency continuum



The pay transparency continuum – data strategy



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Poll 1: How transparent are you with your data strategy?

- We communicate to HR or senior management only
- We communicate this to managers only
- We communicate this to all
- We want to move towards transparency
- We are not transparent currently
- I don't know

Data bias

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All market data is biased

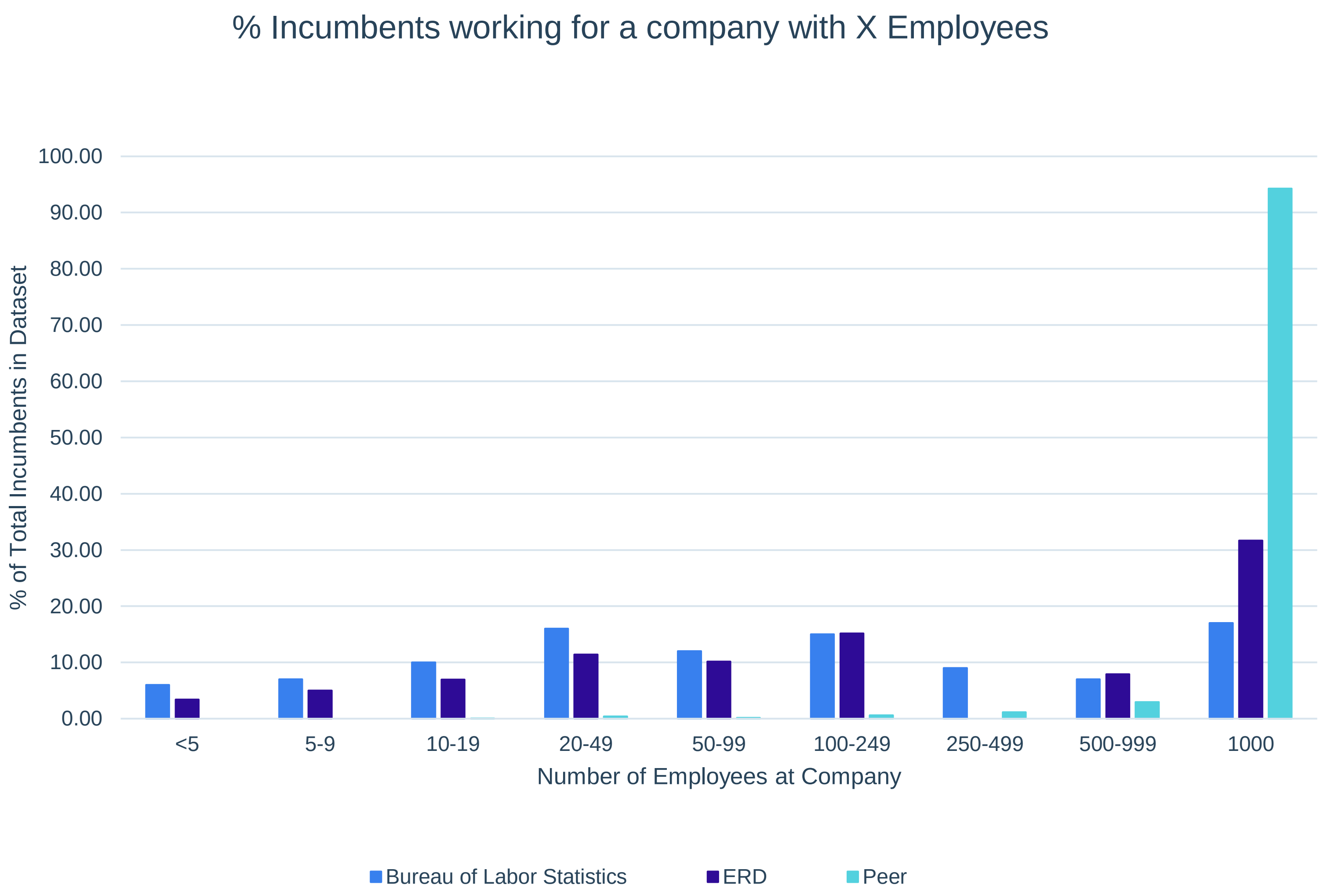
- **Surveys/Peer** are collected from companies that participate (generally skews toward larger companies)

- **ERD and other employee-reported data** (glassdoor, levels.fyi, etc) often skews towards people who look up their pay information online (younger, more technical)

- **Aggregated data from job postings** are biased towards states that have pay transparency legislation

- **Bureau of Labor Statistics** tries to “even out” their data to get make it a representative sample of labor in the US. Most compensation data providers do not do this! (None, that I know of.)

Peer, like many HR-participation-based data sources, is biased toward larger companies



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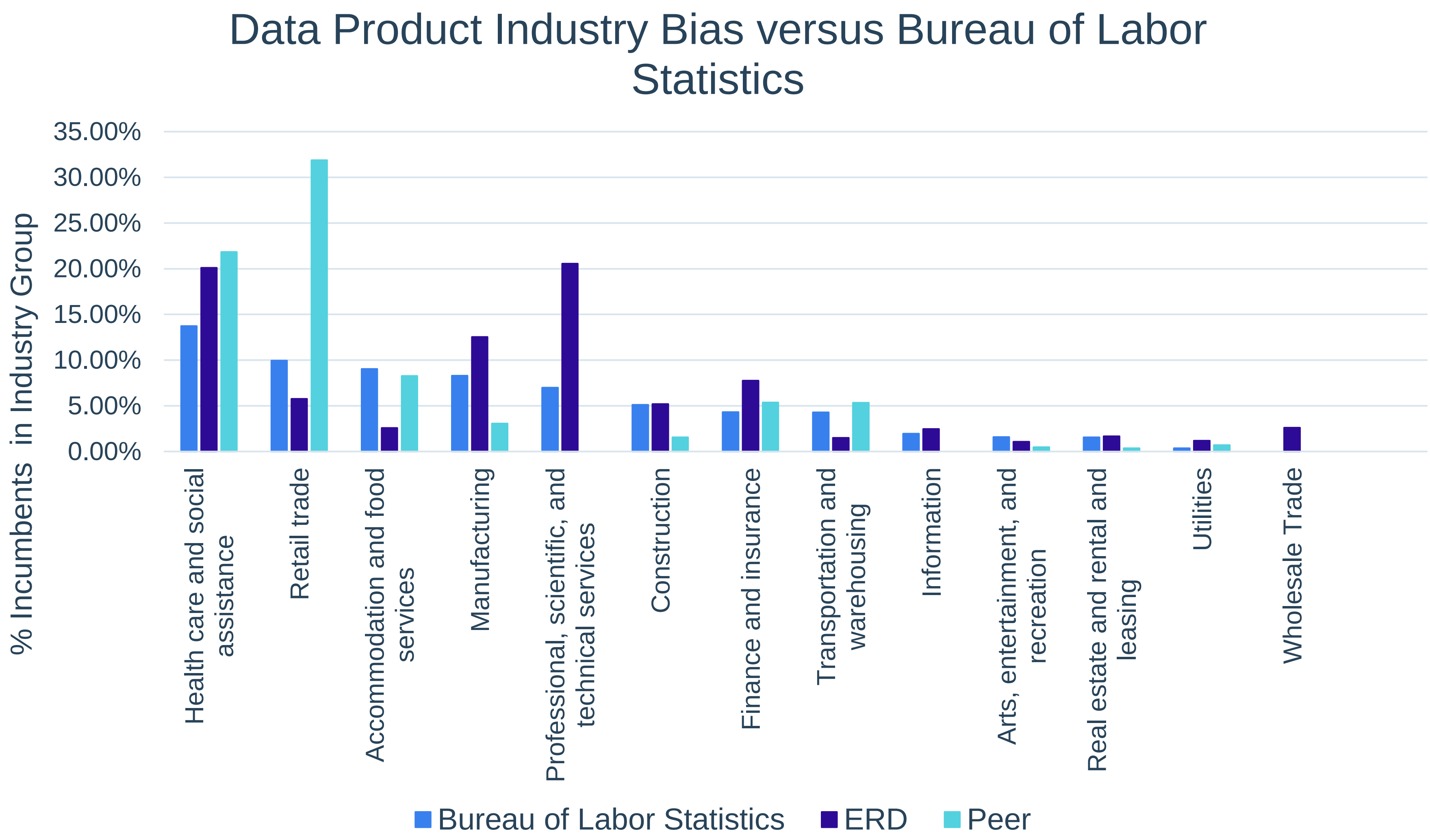
Peer is biased toward Retail companies; ERD toward Professional, Scientific, and Technical Services



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What should you do? It depends!

- You may **WANT** biased data! (if it matches your pay market)
- Sometimes the bias doesn’t matter
- Sometimes you can counter-act the overall bias by sub-setting the data (using a scope)
- Sometimes you may want to counter-act the bias with an adjustment factor

Poll 2: Do you monitor your data processes for bias?

- Yes, continuously
- Yes, occasionally
- No, but we are planning to
- No, I was not aware of the issue
- I don't know

AI as part of a data strategy

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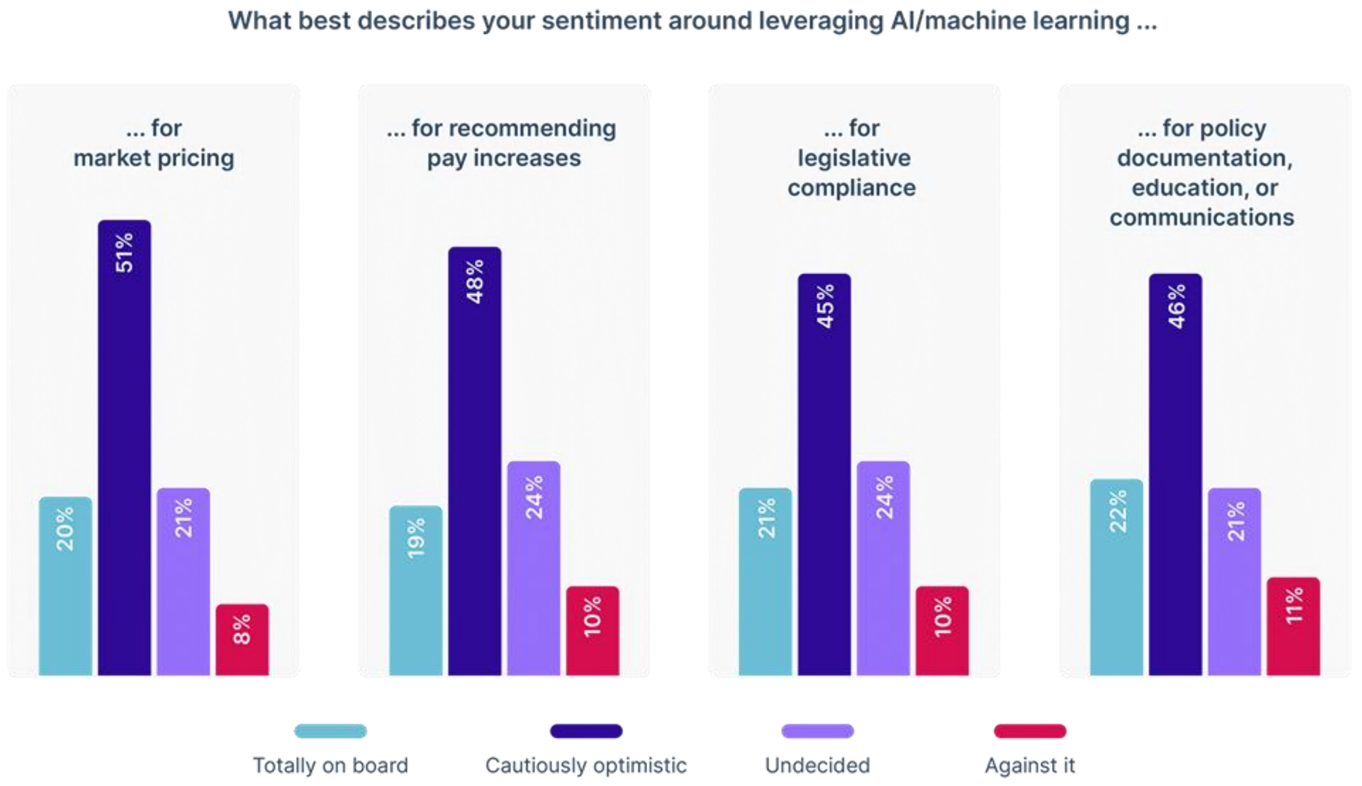
AI as part of data strategy



Forms of AI are already widely used:

- Aggregating data
- Aging data
- Calculating and applying differentials for location, industry, company size

Future:

- Improved precision/accuracy in calculated market ranges
- Better de-biasing of underlying data sources

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Now and near-term use cases for AI in compensation

★ ***Survey matching*** *automated*	★ ***Geo & skills-based*** *pay adjustments recommended*	★ ***Job descriptions*** *auto-generated*
★ ***Benchmark jobs*** *and predict pay ranges*	***Comp trends*** *& market monitoring with alerts*	***Total Rewards Statement (TRS)*** *auto-generated*
Salary offer *acceptance and ROI analysis*	***Pay increase*** *recommendations and pay equity monitoring*	***Pay communications*** *auto-generated*

Things AI Cannot Do...

Determine comp strategy
to achieve key goals

Eliminate human review
and oversight

Eliminate bias
in pay

Poll 3: How are you using AI (select all that apply)?

- Use AI to benchmark and price jobs or predict pay ranges
- Use AI to monitor for pay equity and/or suggest pay increases
- Use AI to collect intelligence on skills for recruiting, education/upskilling, career pathing, and/or compensation
- Use AI to write offer letters and generate total rewards statements
- Use AI to speed up survey participation and year-over-year updates
- None of the above
- I don't know

Recommendations

- Aim for consistency of methodology
- Aim for transparency so you can explain each number
- Understand the biases in the data and in your processes
- Understand how AI can help you now and, in the future

Interested in a demo of Payscale's Data Products?

Let us know in the poll currently open in the polling tab!

Q&A

Feel free to ask any questions in the chat!

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