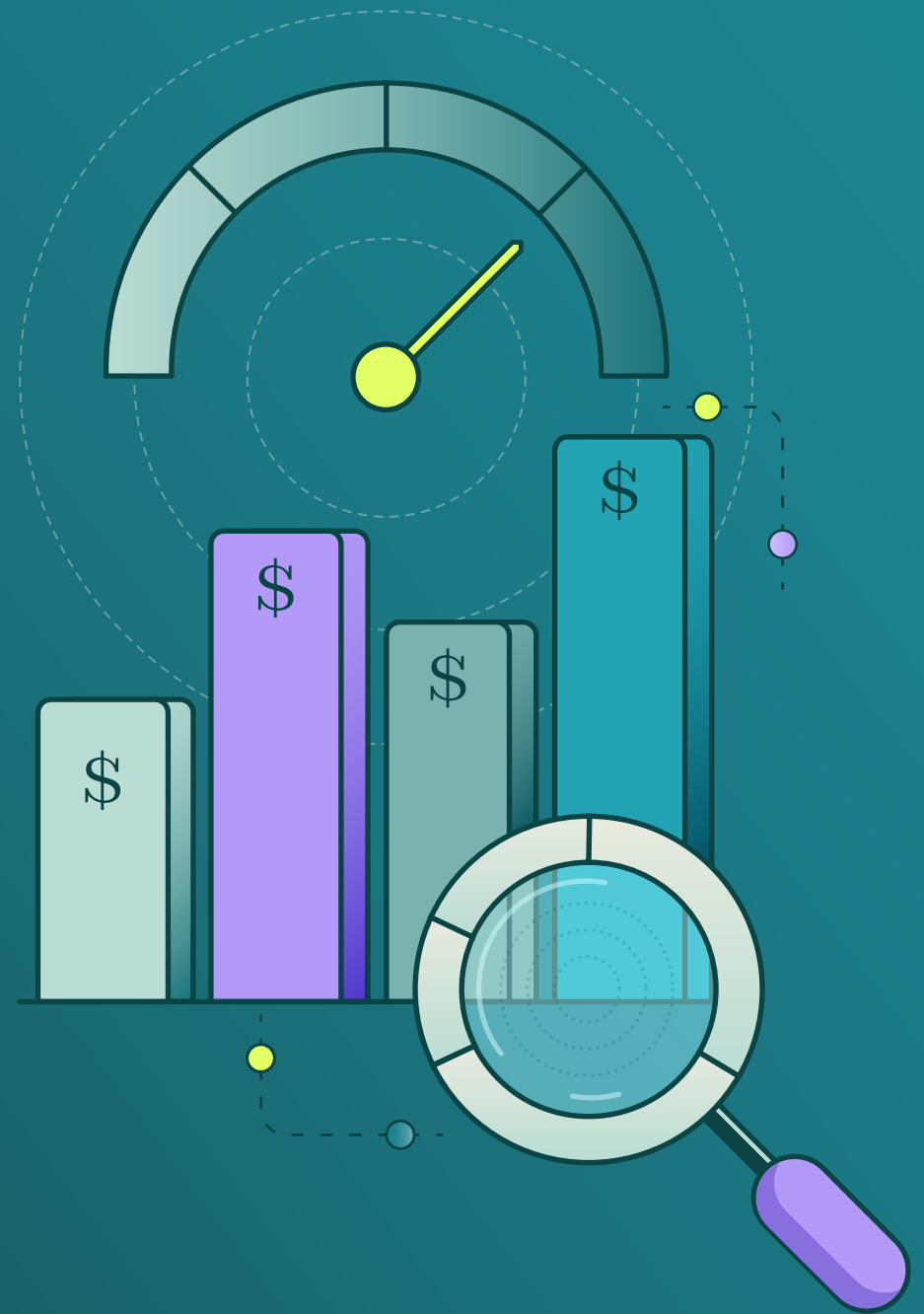Payscale

Back to basics:

How to benchmark jobs using salary data
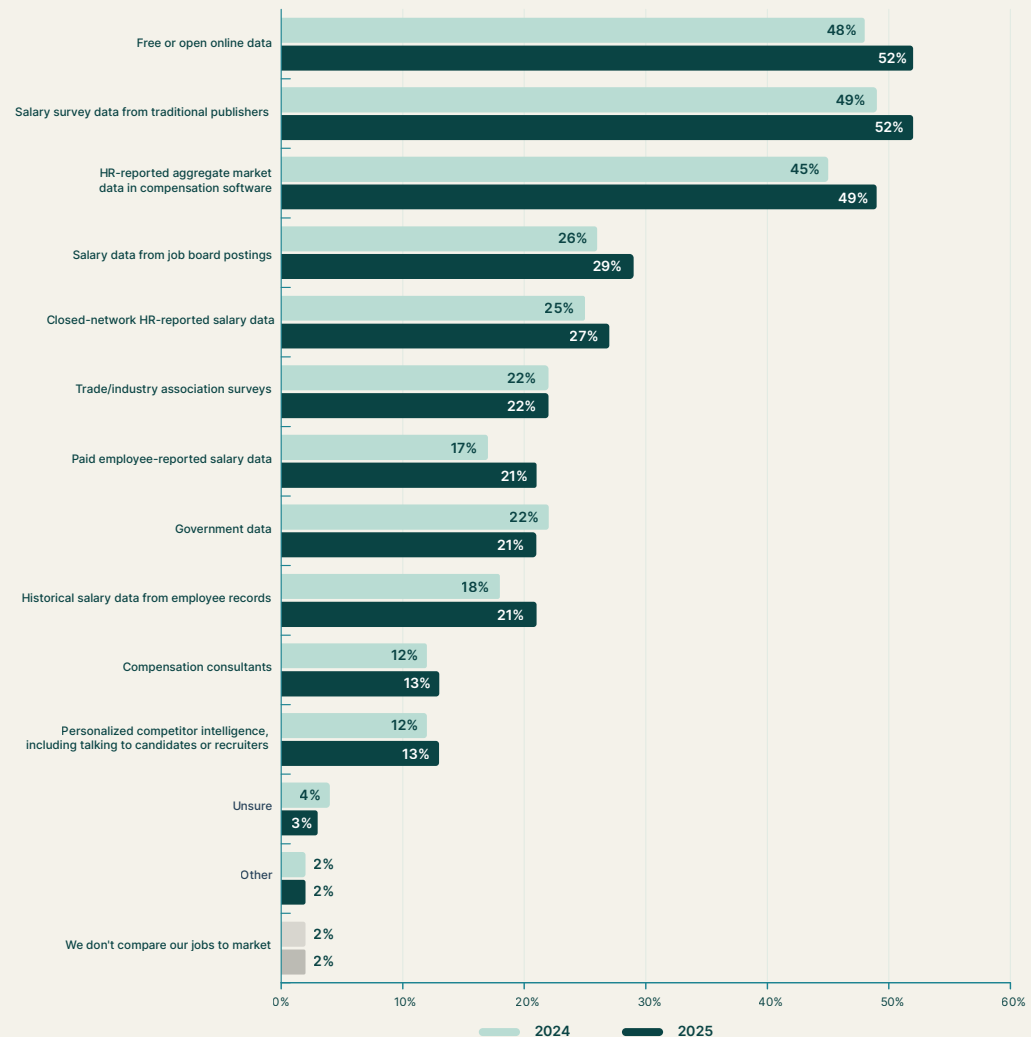
Start with the right salary data

Everyone knows why organizations use salary data: to see how their pay stacks up to the market.

But it's not about having market data. It's about having the right blend of market data. It's about recognizing the unique purpose of each data type.

While organizations pull from a median of three data sources to benchmark jobs, top performers rely less on free salary sources. They're also more likely to use HR-reported data to improve benchmarking accuracy.

The chart on the right shows the popularity of different salary sources.

Which sources do you use to obtain market data?
(Multiple answer choices allowed.)

Source	2024	2025
Free or open online data	48%	52%
Salary survey data from traditional publishers	49%	52%
HR-reported aggregate market data in compensation software	45%	49%
Salary data from job board postings	26%	29%
Closed-network HR-reported salary data	25%	27%
Trade/industry association surveys	22%	22%
Paid employee-reported salary data	17%	21%
Government data	22%	21%
Historical salary data from employee records	18%	21%
Compensation consultants	12%	13%
Personalized competitor intelligence, including talking to candidates or recruiters	12%	13%
Unsure	4%	3%
Other	2%	2%
We don't compare our jobs to market	2%	2%

■ 2024 ■ 2025

"Compensation Best Practices Report." Payscale, March 20, 2025.

Each salary data type has its use cases.

HR-reported data sets: This includes traditional survey data and HR-reported salary sources in compensation software (such as Payscale HR Market Analysis). HR-reported salary sources allow teams to make market adjustments and update pay structures.

Employee-reported data: This data helps HR practitioners understand the compensable factors of a job. Employee-reported data also facilitates productive pay conversations with employees about their pay.

Real-time HR-reported data: Real-time HR reported data helps employers price jobs in fast-moving markets or for niche positions.

Labor market data: Salary information from job postings and other sources can be valuable for recruitment. But HR practitioners must exercise caution in using this data as it excludes incumbents and might skew toward the higher end of ranges, potentially leading to overpayment and internal inequities.

Creating a smart compensation data strategy is all about playing to each sources unique strengths.

Organizations may fall into the trap of becoming too comfortable with a single data source. Whether it's traditional surveys or job posting data, it's tempting because it's easy or familiar. It's also risky. You end up benchmarking jobs with tunnel vision rather than a panoramic view of the market.

Relying on Google for real-time salary data? You can do better.

Price a job for free

Figure out the essence of the job

Once you've captured the correct market data, you're ready to benchmark your jobs. Whether you're a seasoned pro or a mighty one-person HR generalist, here's a reminder of the questions you should ask:

1
What are the top three job responsibilities?

2
What are the top three skills required?

3
What experience is necessary?

4
What is the level? (Entry, professional, manager, executive)

5
Does the role have supervisory responsibilities?

Finding the best match: what to look for

Once you've figured out what you need, you're ready to see how market pricing applies to your roles. Sometimes you may need to deviate from market data for specific roles.

But generally, industry standards suggest that job matches should be at least 70 percent aligned in their descriptions. Think of it this way: you're finding the closest match possible, even if they're not identical twins.

A rising trend that might be helpful to consider when matching jobs is the shift to skills-based pay. Instead of getting hung up on whether an employee has a prestigious degree or job title, forward-thinking orgs are focusing on whether their workers have the necessary skills for the job.

Skills-based hiring has gained momentum because it's solving the problem of labor shortages, which will only get worse for many industries.

Think about healthcare. Many hospitals committed to magnet programs to encourage RNs with associate degrees to get their bachelor's. But what matters more? Clinical experience or a piece of paper?

With more than 7 million jobs currently unfilled, employers benefit from skills-based hiring practices.

Organizations with clarity on what skills drive success are nimbler. They can respond to skills gaps with learning and development opportunities to promote from within, which lowers overall labor costs.

Skills-based compensation also increases employee morale by rewarding skills attainment and increased competencies with pay progression.

Job characteristics to consider

✓ **Job title:** Is there a title that matches your internal role? If so, dig a little deeper to make sure you're matching based on the description. Job titles mean different things for different organizations.

✓ **Responsibilities:** What are the core responsibilities? Again, note that the industry recommendation is to find a 70 percent match in responsibilities in a benchmarked job.

✓ **Skills:** Are any certifications, licenses, or specific abilities necessary?

✓ **Experience:** Identify a standard you'll use when benchmarking level and years of experience.

✓ **Education:** Is there a level of education (college, trade school, GED, etc.) required or this role?

✓ **Specialty:** Is there a specialty or major area of study required?

Individual	Years of experience
Entry level	0-4 years
Intermediate level	5-10 years
Senior level	8-20 years
Advanced level	12-20 years
Expert level	15-25+ years

Keep in mind that when pricing a job, it's best practice to match it at the level and talent requirements you would hire for. The purpose of job matching is to create a range for the position itself, not for the incumbent currently holding the role.

For example, when you go to fill a position that one person held for 30 years, will your organization look for someone with 30 years of experience? Probably not. Chances are you will seek talent at the entry or intermediate level instead, which typically requires three to five years of experience.

If you find that you can't find a match, don't force it. No data is better than bad data. In these cases, look at how you can align pay to a similar job within your organization.

Using salary data to build pay structures

Pay ranges are a component of your pay structure. Think of them as guidelines that show you the playing field of an individual's pay.

They typically include the upper and lower limits of compensation as well as the midpoint that aligns with your targeted percentile. How do you determine these ranges? Well, how competitive do you want to be?

If you target a midpoint below the market, you may see higher turnover. This might be fine depending on your organization's goals. If your midpoint is at the 75th percentile of the market, you want to attract and retain top talent.

There are different types of pay structures. The best one depends on your industry, location, and competitive positioning.

Pay structure definitions

| Traditional pay grades:	Broadbands:	Step structure:	Job-based ranges:	Grade based:
a group of comparable jobs (same level and job family) with one pay range that might be created using market data	a wide group of jobs (more than one level and/or job family) with one pay range created using market data	a pay rate for jobs with defined increases for experience and tenure	a range created using market data that only applies to one job. Each job has its own range	a group of comparable jobs (same level and job family) with one pay range that has been created primarily using market data

While traditional pay grades are still the most popular, market-based pay ranges (both job-based and grade-based) are on the ascent. Grade-based ranges are more strongly considered by organizations with mature compensation practices undertaking job architecture and job leveling tasks.

Benchmarking scenario

Archer Industries is creating a new job and needs to determine the pay range for the new position. After benchmarking the job, they find that the 50th percentile is $56,205. Therefore, Archer Industries will use this amount as the midpoint of the salary range for this role and will utilize a range width of 30%.

Spectrum of market data

25th	50th	75th

$49,907	$56,205	$63,927
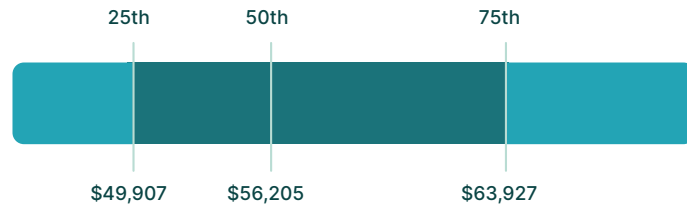
Pay range for this role

This is the pay range for Archer Industries, built around the target percentile.

Min	Mid	Max

$48,900	$56,205	$63,500
15%		15%
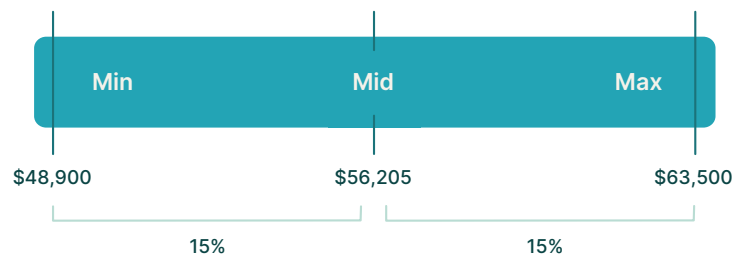
To find the minimum of the pay range: divide the midpoint by (1 + (.30 / by 2))

Scenario: Minimum of the range is: $56,205 / (1 + (.30/2) = $48,873

To find the maximum of the pay range: multiply the minimum by (1 + .30)

Scenario: Maximum of the range is: $48,873 x (1 +.30) = $63,534

Leveraging salary data through benchmarking is crucial for any organization's talent strategy: it fosters employee satisfaction and reduces costly turnover. The key lies not just in accessing relevant data but also in effectively managing and analyzing it. Utilizing platforms that host surveys can streamline this process, making data-driven decisions more accessible and impactful across your organization.

Payscale is here to support orgs like yours at every step of the way.

Reach out to learn more

About Payscale

Payscale is the original compensation innovator for organizations who want to scale their business with pay and transform their largest investment into their greatest advantage. With decades of innovation in sourcing reputable data and developing AI-powered tools, Payscale delivers actionable insights that turn pay from a cost to a catalyst. Its suite of solutions — Payfactors, Marketpay, and Paycycle — empower 65% of the top companies in the U.S. and businesses like Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and TJX Companies.

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