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The landmines of labor market data

Essential insights to elevate your compensation data strategy

Using job offer data risks a 33% increase in the resignation of top talent.

Do you know the fable of the blind men and the elephant?

Encountering an elephant for the first time, six blind men reach out to touch various parts of its body. The first touches its trunk and assumes he's grasped a snake. Another feels its leg and believes it's a tree. And so on.

This fable addresses the limitations of data. Each man collects a data point about the elephant, but none comprehend it entirely. Collectively, they would have.

Now imagine two compensation analysts debating the merits of different types of salary data. One participates in fifty surveys, arguing their methodology makes them the only choice. Another screen scrapes job posting data, convinced its freshness will produce more accurate market pricings.

The truth? Both analysts are wrong because they fail to see the complete picture. They refuse to recognize the limitations of their preferred data type and consider the value of others. To create an effective compensation strategy, we must bridge the gap between different data sets. All salary sources are biased but by strategically blending them together, HR practitioners can see the whole elephant.

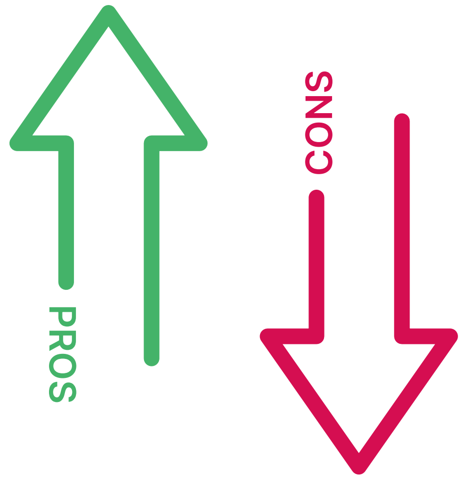
While every type of salary data has its use cases and downsides, some have more serious drawbacks than others. **Take job offer data as an example. Acknowledging its value in tracking market movements, we must also recognize it may dramatically increase compensation budgets and voluntary turnover.**

We won't cover the strengths and weaknesses of every salary source here. Instead, we'll closely examine **job posting and job offer data,** uncovering the good, the bad, and the biased in these data sets.

The payoffs and pitfalls of job posting data

Job posting data

- **Real-time insights:** Provides current labor market data to help organizations track pay trends.
- **Ease of access:** Freely available on job boards like Indeed or LinkedIn.
- **Offers another source:** Can serve as a reference point to compare against other salary data.



- **Ghost postings:** Some job posts are not open positions organizations want to fill immediately or at all.
- **Lack of standardization:** Job titles and descriptions vary significantly across companies, making direct comparisons difficult.
- **Market distortions:** Salaries in postings may be inflated rather than reflective of actual offers.
- **Bias toward pay transparency states:** Data is skewed towards locations with pay transparency laws.
- **Industry variability:** The same role can have vastly different pay ranges across industries.

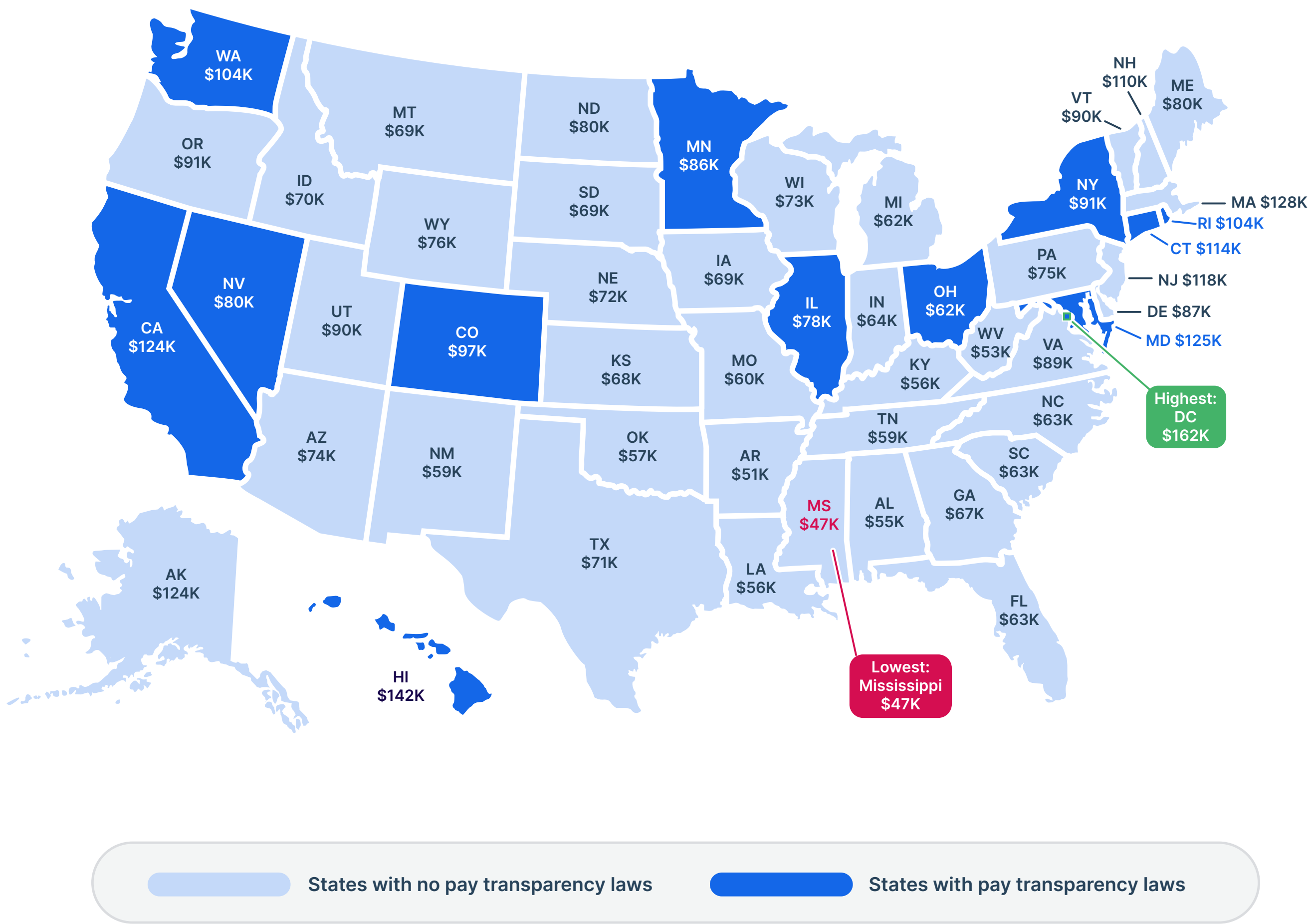
When companies began digitizing their hiring processes, a massive amount of real-time job listings became available. Platforms such as Indeed, LinkedIn, and Glassdoor have made millions of salary ranges accessible to comp professionals and job seekers alike.

The adoption of job posting data for market pricings also received a significant boost with the passage of pay transparency laws. This legislation requires employers in certain states and municipalities to disclose salary ranges, significantly increasing the volume of publicly available pay data.

Job posting data can be a valuable salary source as it provides instant insights into hot and niche jobs in emerging markets, making it especially valuable in talent acquisition and recruitment. Additionally, it's free, offering an alternative salary source for organizations that need to cut costs.

But this data set also introduces biases and should never be used as a single source of truth for job pricings. For starters, job posting salary data is skewed toward states with pay transparency laws or larger organizations that operate across states. And these states tend to pay more than others, even after adjusting for the cost of living

Median income for states with pay transparency (adjusted for cost of living)



Additionally, job boards such as Indeed or LinkedIn often reflect aspirational salaries. And that's assuming the posting is real. The phenomenon of "ghost postings" irritates applicants, but companies still post positions they have no intention of filling — immediately or at all.

Whether it's to grow their candidate pool or create the impression of growth, these ghost postings distort job pricings. Furthermore, job posting data doesn't account for incumbent pay progression, offering an incomplete picture of the actual market.

Left unchecked, the biases in job posting data can easily drive up compensation costs

Let's examine some of the other challenges with this data set:

- **Job Titles and Descriptions:** Job titles and descriptions in postings vary significantly across organizations, making it difficult to establish clear one-to-one matches.
- **Reliability Issues:** You don't know how an organization came up with a salary range. Is it based on reliable benchmarks, or is it a broadband range simply posted to comply with pay transparency laws?
- **Differences Across Industries:** The same job will have a different salary range depending on the industry. A marketing manager for a tech firm may be paid more than the same role at a local construction company. Job posting data often doesn't factor in the compensable skills and certifications required for the same role across different industries.

Compensation professionals face a growing challenge in choosing the right salary sources. With so much data available, it's tempting to gravitate to the most accessible options. **But job posting data is just one piece of a much larger compensation data puzzle.**

Experienced HR professionals understand that no single data type meets all compensation needs. HR-reported data sets in compensation software validate pricings and provide real-time monitoring of market trends. Salary surveys guide annual compensation cycles and the creation of pay structures. Employee-reported salaries can determine a job's compensable factors, while job posting data helps track hot and emerging jobs.

A strong compensation data strategy requires leveraging the unique strengths of different salary sources. This ensures pay decisions are informed, equitable, and aligned with your business goals. Leaning too heavily on one salary source, such as job posting data, can jeopardize your compensation strategy.

The distortions of job offer data

Job offer data

PROS

- **Reflects actual offers:** Unlike job postings, job offer data captures what organizations are actually paying new hires.
- **Real-time salary trends:** Provides a snapshot of the latest salary trends.
- **Useful for pricing hot jobs:** Can help organizations adjust pay for emerging or high-demand jobs.

CONS

- **Tiny Portion of the Market:** Only includes new hires, leaving out incumbent pay progression and promotions.
- **Skews Toward the Upper End of Salaries:** New hires often receive higher pay, which distorts pricings and raises overall compensation costs.
- **Internal Equity Issues:** Paying new hires more than existing employees can worsen internal equity and increase voluntary turnover.
- **Inflationary Effects:** Raising new hire salaries drives overall wage growth, potentially leading to a wage-price spiral (higher wages → increased consumer costs → inflation).

But what if you could see what organizations were paying new hires? Not job postings, but the actual offers extended to applicants! Problem solved, right? Well, not quite.

To attract top talent, organizations typically offer new hires higher salaries than incumbents in similar roles. This isn't a new practice. However, with pay transparency and publicly posted salaries, employees know more about their colleagues' pay than ever before. And it comes as no surprise that employees aren't happy when less-tenured peers outearn them.

Harvard Business Review found the practice of attracting talent with higher wages increases the exit of top performers. Under normal circumstances, top performers attrit at a rate of about one to four. But when higher-paid new hires are onboarded, this accelerates to one in three.[1] As internal equity worsens, it's not your low performers moving on, but top talent.

For this reason, using job offer data as a salary source can lead to losing control of your compensation budget. It's a never-ending cycle. Attracting top talent with salaries at the upper end of ranges pushes up incumbent pay. Because unless you want to attrit top talent, you must increase their pay to match the higher wages of new hires.

Using job offer data may also contribute to unsustainable wage growth across the labor market. You know that higher wages cause inflation, but let's head back to Econ 101 for a quick refresher. Higher wages raise business costs, which get passed onto consumers in higher prices. Eggs end up costing $5 a dozen. Workers then seek even greater pay increases to keep up with the cost of living. We risk a wage-price spiral or unchecked wage growth like we saw during the Great Resignation.

Let's quickly summarize the challenges of job offer data:

- **Small Fraction of the Market:** Offer data only includes new hires, who are a tiny portion of the total market. By excluding incumbents, it doesn't consider salary progression or promotions in market pricings. It also only includes candidates who pass the hiring process, further limiting the scope of this data set.

- **Outliers Skew Benchmarks:** Since new hires usually receive pay premiums, market pricings will skew toward the upper end of salary ranges. This worsens internal equity, increases overall compensation budgets, and can fuel wage inflation across the entire labor market.

- **Poses Retention Risks:** As incumbents become aware that your organization is offering higher salaries to new hires in similar roles, they're more likely to leave. As the study reported by the Harvard Business Review shows, your retention rate for top talent decreases by roughly 33 percent when this occurs.

Job offer (and job posting) data are real-time salary sources, which accounts for their appeal. Real-time salary data shouldn't be avoided. Far from it. This type of source equips organizations to price hot jobs and track market movements. But real-time job offer and job posting data can undermine budget planning and have unintended consequences if you don't recognize their blind spots.

1. Derler, Andrea, Peter Bamberger, Manda Winlaw, and Cuthbert Show. "When New Hires Get Paid More, Top Performers Resign First." *Harvard Business Review*, March 5, 2024.

Ready for the remedy?

Lets talk →

Overcoming your blind spots with comprehensive data sets and thoughtful real-time market intelligence

Benchmarking blind spots occur when organizations overinvest in certain salary sources. Its symptoms include failure to recognize biases in data sets and reliance on poor sources such as job offer data.

If not caught in time, it will distort your benchmarks, leading to more serious conditions such as increased voluntary turnover and runaway compensation budgets.

Payscale helps organizations overcome these blind spots with our comprehensive data sets and market intelligence tools. We take a more thoughtful and intentional approach to integrating data into our software, leaning on our industry-leading HR-reported data sets combined with real-time salary insights.

For example, with the introduction of Payscale's Explore, you can instantly surface contextualized real-time pay impacts. Without context, salary data is just a number. Seeing the salary of an Account I from a job offer doesn't tell you about the market factors that produced it. You don't know how this information applies to your organization's roles.

Explore pulls from our real-time salary data sets and allows you to adjust for key compensable components, **giving you the why behind salary data** — not simply the what. To make truly informed pay decisions, it's crucial to go beyond the numbers and understand the factors driving market trends.

From real-time pay insights to instant AI-generative job matches, Payscale offers the cure for benchmarking blind spots. We deliver the most transparent, unbiased data for your entire market, along with the tech tools to rapidly respond to market movements.

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Additional resources

Enjoy these insights from our compensation experts.

- **Webinar:**
  Getting the right data mix to market price your jobs

- **Whitepaper:**
  How to benchmark jobs using salary data

- **Ebook:**
  Best Practices 2025: Salary data and market pricing

Get a demo →

About Payscale

As the industry leader in compensation management, Payscale is on a mission to help job seekers, employees, and businesses make sustainable fair pay a reality. Empowering 65% of the Fortune 500, Payscale provides a combination of diverse and dynamic data sources, experienced compensation services, and scalable software to enable organizations such as Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and PetSmart to make fair and appropriate pay decisions.

Pay is powerful.

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