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Five Reasons You Need a Salary Survey



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Your organization's employees are its greatest asset. Companies spend between 50 and 80 percent of gross revenues on employee salaries and benefits combined. How your organization compensates its most important asset has a huge impact on overall company performance. The use of a high quality, independent salary survey is a key component in your compensation strategy and helps you stay on target to attract and retain the best talent in your industry.

Here are five advantages that a well-run salary survey offers your company:

1. A Competitive Position

How can you determine if you are paying on par with your competition? Salary surveys published by objective third parties will include a list of participating companies which should be reviewed to ensure that your labor market competitors are sufficiently represented. In addition, inclusion of similar job descriptions and information on "total" compensation that includes retirement plans, bonuses, incentives, *and* base salary ensure that the information is relevant to your employee population. For example, some companies may pay lower salaries, but have more generous short- and long-term incentives. There is not an understanding of the lower salary rate without reviewing the corresponding incentive data. A comprehensive data set ensures a *thorough* understanding of pay rates and trends.

National and global salary surveys also keep HR abreast of changes in the employment market, allowing adjustments in pay levels for skills that are no longer high in demand or for "hot jobs" that are more difficult to fill. To keep a competitive edge, HR professionals need to have the most recent market data available. If you skip a year reviewing current compensation, you put yourself at risk to underpay or overpay job positions that have been impacted by changes in the labor market.

According to Robert Half, an American human resource consulting firm, 38 percent of employees leave their jobs as a result of "inadequate salary and benefits." Regular

participation in, and review of, salary surveys can identify pay discrepancies before it is too late.

2. Legal Compliance

Consistent participation in salary surveys helps ensure your company is in legal compliance and not at risk for “price fixing.” Without reviewing reputable market data, your options are limited to internet searches, networking hearsay, and/or contacting the competition to determine what they are paying—which puts you at risk of violating antitrust laws. Third party surveys provide current data on your company’s peers while maintaining confidentiality by following Safe Harbor Guidelines established by the US Department of Justice and the Federal Trade Commission (FTC) which require the following:

- All data is reported in summary form only;
- No data is reported for any job at any level where there are less than five companies matching (three company limit outside the US);
- Each participant must select a minimum of 10 companies in their custom peer group report; and
- No organization's data will represent more than a 25 percent weighting for any job (35 percent weighting outside the US).

When choosing a salary survey vendor, be sure that the company adheres to Safe Harbor Guidelines to ensure the confidentiality of your information and help maintain strong legal ground for your compensation decisions.

3. Investment Protection

When companies spend up to 80 percent of gross revenues on employee salaries and benefits combined, a few thousand dollars more each year to ensure that your salaries and incentive levels are competitive seems to be a small price to pay to protect your largest investment.

Equally compelling is the cost of losing an employee to the competition due to outdated compensation. According to a study by the Society for Human Resources Management (SHRM), the direct costs (of employee turnover) can be as much as 60 percent of the former employee’s annual salary and total costs can be as much as 200 percent. Continuous benchmarking and evaluation of salary and incentive levels for existing employees will minimize turnover rates, increase company morale, and improve your company’s bottom line.

4. Defensible Decision Making

Analyzing employee compensation and incentive plans is an ongoing process for HR. The consistent use of salary surveys helps formulate a company’s overall compensation strategy and forms a foundation for plans that are internally equitable and externally

competitive. Survey data provides a relevant basis for HR's decisions on salary, incentives, and bonus plans when meeting with senior management and employees. HR professionals will be more confident when communicating changes in pay knowing that their decisions were based on current market data that includes industry peers.

For public companies, survey data also shows the board and shareholders in black and white how their senior management team's salaries stack up against the competitors and can help them identify if the company is at risk for losing top leaders to the competition.

5. Dependable Data

You get what you pay for, and this is especially true with published salary surveys.

The Bureau of Labor Statistics (BLS) offers free salary data, but the information is often several years old and, therefore, largely irrelevant. Given the pace of change within the economic and employment landscape, using old data puts HR at risk for lagging behind current pay trends. The risk of using other free data sources beyond the BLS is that the origins and assumptions on which they are based are generally unknown. Much of the free data online is submitted by individuals who may inflate their salary/pay levels at will. How could reputable survey organizations charge thousands of dollars for their reports if the free data available was accurate? The bottom line is that all high quality surveys cost something, but participants enjoy a large discount on purchase rates and the data is guaranteed to be current and qualified. Some surveys are only available to participating organizations, and these are the "gold standard" of surveys because all participants are invested in providing and receiving the most accurate data available for their employee group.

The following are key points that determine the credibility of a third party salary survey:

- List of participants provided– This will determine the relevance and depth of data for your company. Are the companies that you lose employees to or recruit employees from included in the report?
- Effective date of the survey data – To comply with Safe Harbor Guidelines, the survey should be published at least three months after the data effective date.
- Relevance of the job descriptions to the positions being benchmarked – High quality surveys will provide job matching education and guidance to participants. Look for a good match (at least 70 percent) between the survey and your company for most positions. Be sure to compare job descriptions, not just job titles.
- Survey methodology – Review the summary of the methodology to make sure it's consistent with standards set forth by reputable industry associations such as WorldatWork. Be sure that the research organization is surveying human resources or compensation professionals within a company.
- Confidentiality – Ensure the survey adheres to Safe Harbor Guidelines (see Legal Compliance above).
- Data validation – Quality survey vendors will contact participants after data submission to confirm and/or correct any potential errors or outliers in the data

submitted.

Using a reputable salary survey on a regular basis is vital to the effectiveness of your compensation plan and retention strategy. Avoiding costly mistakes and taking advantage of the outsize benefits of a salary survey compared to its cost allows an HR team to maximize its protection of the firm's biggest investment.

About the Author

Rebecca Toman is the vice president, Survey Business Unit at Pearl Meyer. In this role, she designs and publishes compensation and benefits surveys for a wide range of industries and employee populations. Rebecca is on the WorldatWork faculty where she teaches a course on Job Analysis and Documentation.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.