

Salary Surveys: Everything you need to know about

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Introduction

Employees are the greatest asset of any organisation. Organizations spend between 50 and 80 percent of gross revenues on [employee salaries and benefits](#) combined. How your organization compensates for 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.

What are Salary Surveys?

Salary Surveys are tools used to determine the remuneration levels paid to employees in one or more jobs. The salaries vary by job title (depending on the job descriptions), company, location, job grade etc. Salary data, collected from several employers, is analyzed to develop an understanding of the amount of remuneration paid. Surveys may focus on one or more job titles, job grades, geographic regions, employer size, and or industries. [Salary surveys](#) are usually conducted by survey vendors or HR Consultants. Some employers do it on their own but it's not reliable. The salary survey data collected contains quantifiable aspects of compensation such as base salaries, salary ranges, allowances etc.

Survey data is often time-sensitive and may become out-of-date quickly. Because of the time-sensitive information, surveys are often identified by the year (known as annual compensation surveys) or quarter in which the data was collected. In [high inflationary environments](#) where many employers will adjust their remuneration according to inflation, monthly or per quarter surveys work the best. Salary surveys are often used to make compensation decisions in organisations.

What is the purpose of Salary Surveys?



Salary surveys are used for the strategic decision of determining the [pay policy](#) level of the organization. This decision directly impacts the kind and quality of the organization's workforce; most importantly its labour costs. An organisation may choose to lag behind the market average, match the market average, or lead the market. All these decisions have a huge impact on attracting and retaining employees within an organisation.

Organisations pay employees depending on job grades and titles among other things, salary surveys are used to establish the [wage differentials](#) between job grades.

These wage differentials are essential in establishing the [organization's salary structure](#). This structure needs to be updated periodically as the labour market changes with fluctuations in supply and demand for both labour, in general, and specific jobs. When salary surveys are done over time, organisations can spot trends in salaries or the need for specific skills.

Salary survey information can also be used to help decide the type of compensation and how it will be delivered; that is the ratio between base pay, [incentive pay](#), and benefits.

The end goal of using salary surveys is to identify the market rate, that other organizations pay for similar work in the external marketplace. This is the goal because most employees expect to be paid at a level that is consistent with the market rate for comparable work and it provides the organization with a competitive workforce.

Salary surveys also aid in the internal questions of equity that arise in pay decisions. Accurate salary survey data is crucial to salary increase planning, a process that occurs yearly in organizations. Salary survey data is an important tool in labor negotiations and whenever there are questions about the proper differential between two jobs.

For organizations that are trying to diagnose existing, or potential, wage problems, salary surveys are the starting point. The particular "going wage" used may apply to all organizations in the same geography, all organizations in the same industry, all organisations of the same size, or some combination. The information is usually obtained from some form of a salary survey.

What are the different sources of Salary Surveys?



Choosing appropriate salary surveys is first a matter of knowing where to look for them and secondly evaluating those surveys found to match up with the needs of the organization.

There are many different sources of salary surveys. Salary surveys are usually produced by governments, trade and professional associations, consultants, voluntary associations of employers, and individual employers.

To design, collect, analyse, and distribute surveys is very time-consuming and expensive. The consequence is that company-sponsored surveys are most usually done only once. The sponsoring organization learns what it needs to know and has no need to repeat the process the next year.

Below are some of the salary survey sources you can manage to get information from;

1. Consultants Surveys

This is the major source of salary data for larger organizations. There are several major national and international Compensation Consultants who can provide sophisticated wage data tailored to your organization's needs. The quality and cost of data from these sources are high.

2. Government Surveys

Most governments provide average compensation reports for free. The information is usually published as average labour and compensation surveys by sector.

Government efforts have contributed greatly to salary survey techniques. Research has shown that most employers, even while using government occupational-wage statistics, do not find them sufficiently timely and specific to fill their needs. As expected, all government surveys are by nature, political.

3. Internet Surveys

The internet has changed how work is done in many ways. Surveys are not exertion. Instead of moving around with a questionnaire, the Internet brings computer technology and survey software into the office. Survey questionnaires are posted on the Internet for use in the collection of data. Some surveys still collect this data in the form of fixed length files where data is reviewed both statistically and visually. Some of the newer surveys check input data. If it falls within a preset standard error (range), the data is automatically integrated into the survey. The result is that Internet-based surveys can be interactive, real-time, and reflect data gathered up to the minute.

Some [internet surveys](#) are operated by organizations devoted to providing compensation information, while others operate them as an adjunct to their main purpose, or even as an advertising tactic. Some internet sites are seeking employers or employees as their target market. Most Internet sites provide data on a job-by-job basis and limit the data to the average wage for a job. An internet salary survey can also be known as an online salary survey.

4. Employee and Employer Representatives Survey

Many employees and employers representative organizations conduct salary surveys for their members.

The wages are usually set to balance the interest of both parties taking into consideration the changes in the living costs of the employees. The data is usually shared for free or at a small fee.

What factors need to be assessed before choosing a survey source?

The sources discussed above vary considerably as to their usefulness and quality. Which one would be best for you? There is no one answer to this question. There are several factors to consider when choosing each source. According to ERI Economic Research Institute, below are the factors organisations should consider;

1. Organizational Support

The salary results of a salary survey are very important to just about everyone in the organization. Employees will see the results in their paychecks. Supervisors and managers will find the results affect their budgets and top management is concerned with the total labour costs of the organization. So the method used must appear to be accurate and appropriate to these groups.

2. Organizational Fit

This question of fit has to do with the survey source having data that is appropriate for what the organization's needs. For instance, if the source provides just average wages for jobs and the organization's pay level strategy is to pay at the 65 percentile level, the data does not fit. This highlights the need to develop a plan, before ever starting to collect salary data, that outlines exactly what data is needed and or what purpose.

The job titles and grades that are in the survey need to be ones that are important to the organization.

3. Data Provider

The reputation of the data provider supports a high confidence level in the data gathered. The government has a reputation for good data; although provided with considerable lag in published results. Consultants have very good reputations for good data, analysis, and support provided in a timely fashion.

This question about the reliability of the data provided is of critical importance when the organization uses the Internet. When getting [salary information from the Internet](#) look closely at the purpose of the website and who is hosting the website. An important part of this is to determine the customers for the data and whether the data is central to the site or is presented to sell something else. Also, the site should provide information about participants in the sample and its size, as well as information about the methodology used to analyze the data.

4. DataBase

The database provides the figures that underlie the pay rates presented as the market rates by salary surveys. Where did this raw data come from? For instance, does a survey on the Internet have data that is not collected on the Internet or is it collected from people visiting the website? Most industry and consultant-based surveys indicate survey participants, sample size, types and locations of participants, and how the data was analyzed.

5. Methodology

In determining whether to use a particular survey, one of the most important things to know is what the survey organization did with the data it collected; how they analysed it. Here are some questions to consider about methodology:

- Does the survey organization have the expertise to analyze the data?
- How have jobs been matched up in the survey to prevent mismatching?
- Has a single survey been used or is this an aggregation of surveys? If so, how are they aggregated?
- What statistical processes have been used and were they appropriate? Even simple things are complex. For instance, there are seven different ways to calculate an average. All are correct in their place.
- Is the data adjusted for when the data was collected? Therefore what is the "effective date" of the data? Is it adjusted for location, industry, or any other basis?

6. Cost.

The cost of obtaining wage data may vary from zero to thousands of dollars. Some Internet sites will provide a single market rate for free or for a nominal sum. A compensation consultant could well cost thousands of dollars for a complete salary survey of all or most of the organization's jobs. Accuracy is

important and sometimes "free" isn't the best value. Free data may prove to be very expensive if the figures are high and pay rates in the organization consequently get set above the market rate.

Costs come not only in money but time. Using several surveys requires the analyst to take time to integrate the data into a coherent whole. Some surveys, typically industry or geographical, require the organization to contribute their own organization's data to the survey. This takes a lot of the analyst's time.

What are the advantages of the survey approach in pay level determination?



1. Allows companies to assess their competitiveness

How can you determine if you are paying on par with your competition? Salary surveys include a list of participating companies that should be reviewed to ensure that your labour market competitors are sufficiently represented. The inclusion of similar job grades and information ensures 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. 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 labour market.

An American human resource consulting firm, Robert Half, 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. 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.

3. 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 of losing top leaders to the competition.

4. 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 participate in 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.

How do we carry out a customised salary survey tailored only to our organisation?

There is also the option of working with a compensation consultant to do a more detailed report that provides deep insights about pay levels and decisions that management can make. Below are some of the decisions and steps you need to undertake if you want a detailed customised salary survey;

Determine the job titles and grades to include

The jobs to include in the survey must be selected. As discussed earlier these are the benchmark jobs that represent a sample of all the jobs in the organization. Using the criteria for benchmark jobs, the organization or HR department will choose the jobs to be surveyed. Jobs involving recruitment or turnover problems will be included in the survey.

It needs to be emphasized that these jobs must have accurate and up-to-date job grades. These grades are necessary since others will use them to evaluate the comparability of their jobs to yours.

Determine the target industry or labour market

The next step is to determine the relevant industry for the positions chosen above. As discussed earlier, the relevant industry may be the organization's product market or the labour market. The labour market helps determine the minimum wages it will take to attract and retain employees to carry out the organization's work. Both the normal recruiting area for the jobs concerned and the area within which employees have been lost to competitors. The relevant labour market area is the area where the labour supply for jobs is most likely to be found.

Determine the comparator organisations to survey

The next step is to choose the particular organizations to be surveyed. An attempt is first made to obtain firms in the same industry. Such organizations are more likely to have all of the job titles of your organization and usually have similar salaries.

Organizations' hiring similar skills is another criterion. An attempt is made to include firms hiring substantial numbers of employees for the jobs being surveyed.

Determine organization size

The compensation varies by company size. Ideally, the survey will include a balance of organizations of varying sizes. Caution needs to be utilized with very small firms as they may represent non-comparable labour markets.

If possible, organizations selected should have a formal compensation system. Even better would be organizations using pay systems similar to that of your organization.

The number of organizations included in the survey is very much a function of the purpose of the survey. If only a limited number of firms are adjudged to represent an organization's labor-market competition, including only these firms, makes sense. If, however, the objective is to achieve a realistic picture of the labour market in the area (or industry), a representative and balanced sample is needed. The latter approach would require taking a census of establishments in the universe, and then drawing a sample.

Determine the information to be collected and the expected outcomes

This determination is driven by the purpose of the survey. Although it is possible to obtain information on pay and benefits as well as payment policies in one survey, many organisations may refuse to provide all such information once. A better practice is to make separate surveys of salaries and benefits and perhaps of average salary changes.

Salary surveys require some information on pay policies and practices to permit interpretation of salary data; they also require sufficient organization identification data to permit decisions on organization comparability. The latter information consists of location, industry, size (usually several employees), the experience of employees, education qualifications, and internal grades.

The information contained in compensation surveys is focused on pay information on specific job titles and grades. Here, the requirement besides job grades is utilizing careful definitions of the data collected. For example, base rates for regularly employed workers are defined as not including overtime, shift differentials, or non-production bonuses, but cost-of-living increases. These rates should be reported before deductions for NSSA, other taxes, and any employee contributions to benefits.

Benefit surveys are usually conducted separately. The information sought is quite detailed, but usually applies to all employees or broad employee groups. The purpose is usually to determine the prevalence of benefits and benefits practices rather than costs, but some benefit surveys attempt to obtain the latter as well.

Some surveys are concerned only with wage changes since the last survey. Thus they carefully specify the method of calculating the information sought.

In conclusion, using a reputable salary survey regularly is vital to the effectiveness of your compensation plan and retention strategy. Avoiding costly mistakes and taking advantage of the outside benefits of a salary survey compared to its cost allows an HR team to maximize its protection of the firm's biggest investment.

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<https://thehumancapitalhub.com/articles/Everything-You-Need-To-Know-About-Salary-Surveys>