

Understanding salary surveys

Author: Mark Mutingwende . April 2021

Introduction

As an employer, you may find yourself wondering how much other similar employers are paying their employees. This question may arise due to natural curiosity or an attempt to curb rampant [employee attrition](#) at your organization. On the other side of the coin, as an employee, you may also find yourself wondering how much similar employees are earning in different organizations from your own. The employer and the employee can benefit significantly from the information provided by a salary survey. The purpose of this article is to answer any questions that you may have about [salary surveys](#)- what they are, why they are conducted, and how they are conducted. Let's get started.

What are salary surveys?

By definition, a [salary survey](#) is a unique tool used by remuneration specialists to arrive at a fair and competitive salary for an organization's employees. Salary surveys are an essential compensation and benchmarking instrument. You can think of a salary survey as a snapshot of the job market. This snapshot reveals to interested parties and stakeholders what employees are being paid for their work. For example, a salary survey in the banking sector can provide information on what Management level personnel are being paid at various companies. Using this information, you can isolate valuable metrics such as mean salary and median salary, giving you a better understanding of what the average management level personnel in the banking sector are receiving. Salary surveys are not limited to providing information on what salaries people are receiving. Still, they provide a necessary perspective on the companies' scale, which can better understand wage differentials seen across different organizations. Salary surveys need to be based on an appropriate [job evaluation](#) methodology. This [job evaluation](#) methodology needs to be standardized across the entire industry.

Why are salary surveys important?

Salary surveys are essential because of the purpose for which they are intended to be used. Salary surveys are used during the critical decision-making process of determining the [salary structure](#) of an organization. Why is this decision-making process necessary? Because remuneration structure is highly correlated to employee performance and satisfaction, it is

ultimately correlated to overall business performance. Intuitively an employee would desire to give their employees a fair wage; however, an employer may also wish to go a step beyond and provide a [competitive salary](#), i.e., above the market average. Giving a competitive salary has the apparent advantage of boosting employee satisfaction and reducing attrition. However, a wage that is too competitive, i.e., well above the market average, can be good in the short run but detrimental in the long run as it can reduce company profits. Salary surveys are essential because they give the company information that can be used to arrive at a remuneration structure that is ideal for the organization's needs.

Salary surveys also play an essential social role in applying indirect pressure to organizations to pay their workers a fair wage, a just wage. When salary survey results are published in a public report, this information becomes available to employers and employees. If employees realize that they are significantly underpaid compared to other employees on the market, this can result in higher levels of attrition as employees seek a higher wage elsewhere; this obviously will harm the company that is being left behind, as it reflects a loss of skills as well as capital invested in those employees. Therefore we see that salary surveys benefit both employers and employees and help eliminate unjust [wage differentials](#) in the market. Salary surveys are also useful for determining wage differentials within an organization and determining the appropriate salary increase for employees, which is a process that commonly happens on a yearly or bi-yearly basis.

How to carry out a salary survey

Conducting a salary survey is a process that requires due preparation and planning. The guide below highlights the general steps that need to be followed when conducting a salary survey:

Purpose of the survey

As the one conducting a survey or looking to use the results from a pre-existing survey, it is vital to understand the purpose for which the information is meant to be used. Suppose the purpose of a survey is to change your organization's remuneration structure now. In that case, this may differ from a survey intended to estimate future increases in wages two years from now. The survey's purpose will impact the jobs you survey, the market, the firms, and other factors.

Jobs of interest

Select the jobs you wish to include in your survey. A general survey could consist of all job titles within an organization, from the lowest to the top. However, a different survey may require you to assess management-level positions only within a given sector.

Relevant Market

Identify the relevant job market for the jobs that you are investigating.

Firms of interest

Identify firms you wish to collect data from. A general salary survey for a given sector can include large firms and small to medium firms. A customized survey rather might zone in on small firms only, for example. Firms selected must be comparable, i.e., exhibit a desired level of heterogeneity.

Relevant information

The information required is fully linked to the purpose of the survey. A survey to determine the average amount of remuneration of a CEO in a given sector may find no need for information on non-executive employees or the age of the CEO or gender, for example. Information collected in the survey must be relevant to the purpose; irrelevant information can result in unnecessary costs and unnecessary time consumption to capture and integrate it.

Data collection method

This refers to the mode of data collection; some surveys use questionnaires, others an interview. Choose the method that works best for your company's goals. An interview process could take longer than a questionnaire; it may also be more costly.

Collect Data

Contact the relevant firms and collect data using the method of your choice. Once data has been collected, it will require cleaning to eliminate irrelevant information or incomplete

information that will not benefit the survey. Some information provided may be inconsistent in terms of format compared to the other companies. It is necessary to ensure all data is cleaned until it is uniform. Analyze the data and come up with output that will help the organization achieve the purpose for which the survey was conducted.

Communicate findings

Lastly, communicate the survey findings quickly and interpretably by persons interested in the survey results.

Conclusion

Salary surveys are a helpful tool that can be used to understand the state of the labor market and provide insight on suitable remuneration structures. The most crucial step in conducting a survey is identifying the purpose and the target audience to guide the collection of relevant information. Once the survey is completed, analysis and interpretation of data can be made in many ways.

Mark Mutingwende is a Business Analytics Graduate Trainee at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

Phone +263 4 481946-48/481950/2900276/2900966

Cell number +263788512701

Email: mark@ipccconsultants.com or visit our website at www.ipccconsultants.com

<https://thehumancapitalhub.com/articles/salary-surveys-everything-you-need-to-know>