Salary Surveys- The dilemma of choosing comparator organizations

Author: Memory Nguwi . March 2022

Salary surveys are important for those organizations that do not want to be reactive when addressing employee retention and attraction issues. Progressive organizations periodically get market salary survey reports to assess how their remuneration practices are faring against the market. The challenge always has been how do you choose the compactor organizations.

As I have been doing salary surveys for the past 20 years, I have noted some general misconceptions about how clients choose comparator organizations.

Below are some of the criteria often used in selecting comparator organizations and the challenge with each of them.

1. Similar industry

When commissioning salary surveys, most clients want to compare their remuneration practices with other organizations in the same industry. The logic is that it will help the organization price its labor better in relation to product/service competitors. If you overprice your labor versus your competitors, your products will become uncompetitive. That is the reasoning often given. The logic is sound but unhelpful when retaining and attracting competent staff. The reality on the ground is that you do not necessarily lose your staff to your competitors only. While some roles will find it easy to find job opportunities in the same industry, the majority can move into any industry. Except for a few industries where certain skills core to the sector are absorbed largely in the same industry, the rest can move into any industry. Roles in mining like mining engineers are likely to go into other mines. The same applies in insurance, where roles like actuaries are likely to be absorbed in the same industry. I would say 80% of roles in any organization can move into any industry of their choice, and these are unlikely to be your competitors for products/services. Let's look at job families like human resources, finance, supply chain, audit, engineering, marketing, sales, etc.; they have a wide market choice. In such a case, benchmarking against your competitors is misleading.

2. Similar Size organization

Comparing your remuneration with similar size organizations sounds comforting; however, it is extremely misleading and unhelpful. We see clients comparing themselves with organizations of a similar headcount range or similar revenue range. Some do it over and above, selecting by similar sector. It is hard to understand the logic here. Employees looking for opportunities do not necessarily move from one big organization to another or from one small organization to another. They move into organizations where good remuneration and other factors such as a good culture and career development opportunities exist. I have also seen clients raising issues like we want to be compared to other blue-chip organizations or multinationals. I suppose the logic is to develop remuneration practices that would help your organization establish good remuneration practices that will assist you in retaining and attracting competent staff. In that case, I am not sure how such comparisons would help.

There is an erroneous assumption that employees only resign to join organizations that offer more money. We know in practice that employees resign and sometimes take a salary cut and, in some instances, go for the same package. Paying your staff competitively will not address a problematic environment characterized by poor leadership, hostile and toxic work culture, lack of career development opportunities, and many others.

My recommendation is that when commissioning salary surveys focus on the following approach:

1. It is important to have enough information that shows you where your employees are going when they resign. Analyze this proportionally by sector and level. As an example, are certain job families joining a particular industry? Are certain levels of your staff joining specific sectors? You could have a list that says which sectors attract our talent in human resources, finance, procurement, marketing, etc. You should be able to come up with a clear pattern. In some instances, no pattern will emerge as your staff will be sporadically dotted in all sectors. You are always better off benchmarking your salaries against the general market as a starting point. The general market survey allows you to have an overview of what is happening on the market.

2. It is also important to document and analyze where you are getting your new employees. Which sectors are they coming from? This kind of information will assist you in structuring your remuneration by knowing which sectors you can tap into for skills without paying a premium package for the new skills.

I know some want to continue to benchmark against certain organizations. Unless your internal trends show that you are losing people to those sectors, I would not recommend that you continue with such benchmarking. Instead, I recommend getting general market information that combines data from all industries.

As you review market salary survey information, remember the decision on where to peg your salaries boils down to two major considerations: your ability to pay and your capacity to sustain the pay into the future. The capacity to pay and sustain wages and salaries comes down to how your business performs.

Memory Nguwi is an Occupational Psychologist, Data Scientist, Speaker, & Managing Consultant- Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. https://www.thehumancapitalhub.com **email:** mnguwi@ipcconsultants.com

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