Evaluating Salary Survey Data
Salary surveys have come a long way since their humble paper-and-pencil beginnings. Rather than leaning over a pile of paperwork with a sharpened #2 in hand, today’s compensation professionals are clicking their way through an online salary survey process, interacting with survey software databases, and creating custom reports based on specific variables. Without a doubt, computers and the Internet have dramatically changed how compensation data are collected, analyzed, displayed, and distributed. Such evolution highlights two points:

- Salary surveys continue to be in high demand, and
- Not all salary surveys are created equal.

**Why Use Salary Survey Data?**
Salary surveys are primarily used to create a job-worth hierarchy based on the “going rate” for benchmark jobs in the external labor market, known as market pricing. The goal of market pricing is to collect and analyze salary survey data from relevant competitors or comparable organizations. By identifying external competitiveness, compensation professionals are positioned to make informed strategic decisions regarding pay practices based on their organization’s compensation philosophy.

The benefits of using salary survey data outweigh the costs.

Employers use salary survey data to align salary levels with pay trends that attract, retain, and motivate the talent they need. They will adjust salaries to place them at a position relative to the market that fits with their compensation philosophy.

Compensation professionals also use salary surveys to establish and monitor internal equity between jobs within a salary structure. Benchmark jobs found in salary surveys act as compensation anchors for unique positions that lack comparable data. Compensation for these non-benchmark jobs can be monitored in relation to their value amongst benchmark positions.

Additionally, current market data are used for periodic salary increase planning and labor negotiations, and provide compensation professionals with documentation for defending and communicating current practices.

**Selecting Survey Data Sources**
Sources of salary surveys vary considerably as to their usefulness and quality. While the manner in which surveys are conducted and published has become more and more efficient, ease-of-use and quick turnaround does not necessarily guarantee accurate data. Now, more than ever, identifying, evaluating, and selecting the appropriate compensation data source is just as important as how the information is analyzed and applied. Using inaccurate or mismatched data may lead to a drain of resources and can be avoided through initial research.

**Finding the Right Fit**

*What information was collected?*
This question of fit has to do with whether the survey source has data that matches an organization’s needs. For market pricing purposes, examine which jobs are included in the survey. This goes beyond simply reviewing job titles; benchmark matches should be based on job content in comparison with the survey job descriptions. As a general guideline, if 75 percent or more of the job content is similar, the match may be considered strong.

*What is the focus of the data?*
Numerous external variables affect salary determinations. At the basic level, employers should look for salary survey data to match their geographic location, or industry, or both. By considering these dimensions, organizations can reduce the potential for overpayment or underpayment of employees based on similar labor markets.
Quality of Data

*Is the survey methodology sound?*

In determining whether or not to use a particular survey, one of the most important aspects to consider is how the data was handled. A full methodology includes any statistical processes or adjustments made to the data after it was gathered.

*Is the source of the data credible?*

The world of compensation surveys has grown to include sources with varying intentions. Experienced survey vendors use proven methodologies based on standard practices and welcome questions from organizations regarding data. Although the Internet is a natural hub for conducting and distributing survey data, beware of sites that do not provide sources, methodology, and a standard rate of error. Some Internet data sources are in the business of selling advertising, not accurate data, and typically provide inflated salary information to generate revenue from increased traffic.

Cost

The cost of salary data ranges from free to thousands of dollars depending on the scope and type of survey. Many salary surveys offer a discount for participating organizations. Unlike traditional surveys with a fixed price per report, software databases allow users to produce unlimited reports on a subscription basis.

Confidentiality Considerations

Due to potential antitrust violations regarding the exchange of salary information, salary surveys should follow "Safe Harbor Guidelines" handed down by the Federal Trade Commission and the Department of Justice. Under the guidelines, look for salary surveys that are conducted and managed by a third party, such as a consulting firm, trade association, or survey provider; use participant data that is more than three months old; have at least five participants for each data point with no individual data source representing more than 25 percent of a statistic; and sufficiently aggregate information so participants' specific salary information remains confidential.

Types of Salary Surveys

*INDUSTRY-SPECIFIC SURVEYS:* Industry-specific surveys are prevalent and highly sought after for determining external competitiveness in the labor market.

*FUNCTIONAL SURVEYS:* Job function surveys target specific groups of jobs such as accounting and finance, human resources, and information technology.

*ASSOCIATION SURVEYS:* Many professional and trade organizations conduct salary surveys for their members. Some of these surveys are available to non-members for a fee. Association surveys typically report a number of general industry, entry-level jobs.

*GENERAL SURVEYS:* General surveys cover multiple industries and may focus on a specific geographic area or general job group such as supervisory, technical, or administrative.

*SURVEY SOFTWARE DATABASES:* Software providers compile salary data sources into one interactive product. Rather than a static report, software analytics allow users to change dimensions on the fly, identify source information, and create ongoing reports based on regularly updated databases.

*GOVERNMENT SURVEYS:* The U.S. government provides free data through the Bureau of Labor Statistics (BLS). The BLS releases a National Compensation Survey that analyzes jobs found in the federal government, as well as an Occupational Employment Survey to be used in the determination of prevailing wage rates. Although government efforts have contributed greatly to survey techniques, most employers do not find them sufficiently timely or specific to their needs.
INTERNET DATA:
Unlike the aforementioned sources of salary surveys, data derived from many Internet sources are typically contributed by employees, not employers. One-off reports are usually geared for the general user negotiating a salary or pay raise, not a compensation professional making complex salary decisions.

Components of a Credible Salary Survey
The evolution of salary surveys is not only driven by technology, but also, and more importantly, by the demand for reliable data. Good salary surveys from reputable vendors use aggregate data and provide an executive summary, full job content information, and a sound methodology. Furthermore, credible salary surveys draw from an adequate sample size and adhere to Antitrust Safe Harbor Guidelines using employer-provided information.

No one survey is right for every organization. For determining market rates, compensation professionals typically use three or more survey data resources. To acquire the right data, select surveys and make comparisons based upon the appropriate labor market. Consider the survey participants, as well as the total number of incumbents reported. Also, keep in mind the age of data collected, the sample size for reported jobs, and the type of statistics reported in the survey.

While compensation professionals have more options than ever before in terms of acquiring salary data, the burden of evaluating and selecting the appropriate salary survey source has grown in direct proportion. By understanding the differences between salary surveys — and the providers behind them — compensation professionals are prepared to select the best survey data to address the needs of their organizations.

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