

The True Value of Salary Surveys

Why Participate, Why Use Them?

At this time of the year many Human Resource professionals are being contacted to participate in salary surveys. There is generally the feeling of dread at this request. We will discuss the many reasons why it is important for an organization to participate in two or three salary surveys per year.

We often hear the argument, “I do not have time to complete salary surveys.” We cannot deny there is going to be a sacrifice of time by the Human Resource professional to collect all the survey information required, but HR is an organization’s best authority for matching jobs to the benchmark. Even if the organization’s Human Resource Information System (HRIS) enables them to export some of the information, the HR professional will still have to ensure all the information is tabulated into the correct fields of the survey. Thorough knowledge of the job is essential to ensure the data reported is for the correct position. An advantage to the organization, if their HR department will find time to participate and complete the salary survey, is that the results of the whole survey are usually made available at a favorably discounted rate from the salary survey source company. Well worth the time!

Now, many ask, “Why do I need to participate in a salary survey every year, when the economy is slow in its recovery? What’s the point? Why don’t I just do it every other year?” Agreed, the economic recovery has not bounded back as fast as anticipated. Salaries, however, have been increasing for the past three to four years. The increases depend in which industry you work, since some industries recover faster for certain positions than others. An organization may not have the budget in which to give meaningful increases due to a stagnant time within the organization itself. The Human Resource professional cannot be like the proverbial ostrich and stick their head in the sand and hope to avoid calamity, but must pay attention to what is going on in the world around them. As the HR leader for the organization being aware of the employment market and what is happening to wages is critical to remain competitive with peers. To keep that competitive edge, Human Resource professionals need to have the most recent market data available to be able to accurately compare salaries of employees to the local employment market. Just because it may be tempting to skip a year of completing a salary survey, doesn’t mean the wages in your market didn’t change.

Remaining market competitive is key for any organization to keep top talent. As a result of the recession some positions’ salaries have decreased. The Human Resource professional needs to be aware of these particular positions, to prevent their organization’s equal positions from being overpaid in the long term. Some questions to ask are:

- How much can the organization afford to overpay a position?
- How long will top talent remain with the organization if they feel salaries are not market competitive?
- How easy will it be for competitors to poach these employees away from the organization?

Kimberley Taylor, CCP, GCP, Director of Compensation at IBM, in a recent webinar stated, “Of the multi-year review of 3,000 plus of these benchmark positions which have been surveyed annually, 32% showed annual salary growth in excess of 3% of those 37% increased more than 5% annually.” Can the Human Resource professional of an organization just sit on the sidelines and not know what the market is doing? Definitely, food for thought!

As a participant of a salary survey, your data will be collected by the organization collating the information and in approximately six months, the results will be made available. “Why such a long time?” many people ask. One of the reasons is that all salary information has to be a minimum of three months old. This is regulated by the Safe Harbor Guidelines of the U.S. Department of Justice and the Federal Trade Commission. These guidelines were originally set up for the healthcare industry but are now generally accepted for all industries for the purpose of eliminating collusion of salaries.

By being a participant and contributing data annually will allow the salary survey company to have consistent, reliable data sources. When the Human Resource professional considers their contribution of salary information to the survey organization’s data, they must bear in mind the most important element is the end result. When contemplating participation in a salary survey it is important to examine the scope of the data collected to ensure its value to the organization. Some questions to ask are:

- Does the salary survey provide information on jobs comparable to the jobs in our organization?
- Does the salary survey include data from ‘like’ peers?
- Does the salary survey represent the organization’s true labor market competitors?

When time is limited, survey participation for the end user has to be of relevance.

Now if any are still asking, “Why do I need to use salary surveys? What good are they to my organization?” Well, every organization is in competition. Competition for talent. Organizations need to know the market in which they are competing for that talent. Salary surveys are the HR professional’s best tool to obtain relevant data enabling them to pay a fair salary for their incumbent employees. If the organization, in a particular area is the only one of its type, the sole player, so to speak, having salary survey sources for HR’s use is critical to vie for great employees. Noteworthy too, the talent market in which employees are recruited could likely encompass different industries, so to attract and retain amazing employees for the organization, this point must be taken into account.

Human Resource professionals need to realize that participating in or purchasing salary survey data is far superior than conducting their own survey. The accepted guidelines adopted by most reputable salary survey companies follow the Safe Harbor Guidelines mentioned earlier. There are four components to these guidelines:

1. The survey must be conducted by a third party, with no association to the organization;
2. The data has to be over three months old, which prevents price-fixing of current salaries. This also ensures organizations are prohibited from sharing future earnings;
3. The statistical results must have at least five organizations reporting data for a reported position. This protects anonymity, which is crucial to salary survey collation; and
4. No individual organization can contribute more than 25 percent for each reported position. This prevents data manipulation and precludes one “big player” from influencing the results.

This is why it cannot be emphasized enough to HR professionals of the need to exercise caution if contacted by their peer or their competition asking for salary data! Be very careful as it is very easy to violate these guidelines and more, such as the Sherman Anti-Trust Act.

As consultants, we purchase many salary surveys annually. The criteria we require is consistency of data and the availability of data cuts within the salary survey source. We only purchase from reliable salary survey organizations comprised of multiple survey participants. The salary survey job descriptions, though most are generic in nature, are consistent. These job descriptions allow us to match most job duties, with a

solid match defined as 70 percent of the duties being comparable. So, next time a salary survey crosses your desk requesting your participation, be ready for the challenge that will pay off many times over.