

Compensation survey users frequently grapple with situations in which different compensation surveys report contradictory rates for the same position—a problem exacerbated by the increasing availability of statistical information from an ever-expanding Internet. Data inconsistencies range from relatively minor discrepancies that might safely be ignored to major gaps that require careful analysis. Resolving unexplained differences is critical to maintaining confidence in the applicability, precision and impartiality of data on which compensation programs are based.

Generally speaking, effectively using pay surveys is more art than science. Compensation professionals regularly make decisions about the relevancy and accuracy of data with which other pay professionals might reasonably disagree. Still, it is important that compensation professionals act upon available compensation information with a thoughtful and reliable process borne of experience. Ideally, compensation professionals leverage their knowledge and experience to determine the most appropriate answers, use them as basis for systemic action and revisit them periodically to ensure they remain relevant.

This article examines why and how survey differences come about; it explores common-sense strategies for assessing the reliability

Understanding and Managing Compensation Survey Data Conflicts

QUICK LOOK

- ⇒ Compensation professionals regularly make decisions about the relevancy and accuracy of data with which other pay professionals might reasonably disagree.
- ⇒ A careful comparison of job descriptions may show the same job title being used in multiple surveys for jobs with decidedly different requirements.
- ⇒ Any piece of data offered in good faith warrants at least some consideration and a thoughtful (and not purely defensive) response from compensation professionals.

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and applicability of competing data, and it provides guidance on how to respond when employees come forward wielding problematic data from questionable sources.

Why Data Diverges

A surprising number of differences in data, including seeming inconsistencies in results within the same survey, are easily explained through careful reading and comprehension to determine what exactly is being reported. For example, in the Pearl Meyer & Partners CHiPS Total Compensation surveys, markedly

weighted or incumbent weighted? Are there limits on the data contribution of individual firms (reweighting) to ensure data represents more than the practice of a single, large organization? Asking these types of questions likely helps account for the majority of issues encountered by data interpreters. If an analysis passes these simple tests, then a more time-consuming, detailed analysis may be warranted.

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different totals for base salary are reported in two different sections of the report for identical positions. However, a close analysis quickly reveals that while the job family and level may be the same, one section reports a national average and the other a regional (and significantly lower or higher) result.

Other data discrepancies among survey sources are explained by differences in the database itself or how the numbers are aggregated. Are two sources from the same time period? If so, are they covering the same industry or geography? Are the firms similar between the two sources? Is the data company

education, skills, responsibilities, complexity, reporting relationships or leadership. For example, a job named “product development manager” might be focused on design, or it might primarily serve a people-management function. Similarly, the word “expert” in one job description does not necessarily correlate with “senior” in another survey, nor does “intermediate” necessarily translate to “developing.” Some variation between position descriptions is inevitable, but there should be a substantial (70 percent to 80 percent) overlap in job descriptions to avoid an apples-to-oranges compensation comparison.

Determining the Most Relevant Data

A critical issue in evaluating a particular survey’s usefulness is whether the data effectively reflects the labor market for the position being evaluated. Labor markets vary by job family, position level, experience, industry and geography, just to state a few examples.

Nonexempt employees are generally less likely to be relocated and, accordingly, more locally focused in their job searches. Middle-career workers in exempt jobs tend to be more regionally focused. Executives are generally thought to be the most likely to have a national labor market.

Surprisingly, new exempt employees (new college graduates) mirror executives in their geographical boundaries. However, once a college graduate has embarked on a particular career path, whether in financial services, insurance, high tech, consulting or manufacturing, it becomes increasingly difficult to change, and industry may become the most relevant factor in choosing comparative pay data. The most appropriate market for a business-unit leader is probably a mixture of that employee’s particular industry and the size of the unit he or she manages. In contrast, compensation data for CEOs, who usually have more easily transferable skills and for whom job-scope issues are more easily defined and calibrated, is frequently evaluated against organizations of similar size. Job scope is not as easily quantified and is not as relevant in assessing compensation data for administrative and technical positions, for which skill, effort and responsibilities are more important.

Some regions have their own idiosyncrasies. For example, people who work in California tend to want to stay in the region, so incorporating data outside of that region may not make sense. Similarly, experienced employees

outside of Silicon Valley tend not to move to Silicon Valley, perhaps due to very high property values. For these employees, incorporating data from the Silicon Valley region seldom makes sense. Compensation professionals must determine where to draw the line. Employees in the suburbs of New York City may push to be measured against their Manhattan counterparts. But the reality is that everybody would prefer to be measured against such an area's extraordinarily high pay scales.

For certain positions, the structure of a compensation package is a critical factor in selecting an effective data source. While base salary is a primary component of most pay programs and a

good survey-data point, it represents a much smaller proportion of sales or executive pay, where compensation, and therefore survey data, is focused on performance-based cash and/or equity opportunities. Base salary information is less relevant for sales positions that are heavily bonus or commission based. For positions with a larger variable pay component, a consistent approach needs to be taken in terms of whether to focus on target payouts or actual payouts. In an industry that typically sets high targets but doesn't meet them, actual payouts will be significantly less and are therefore more relevant than the target. In a more volatile sector, where targets regularly

may be missed or achieved, focusing on the target can help smooth out the data and create a more meaningful measure with other companies.

In some areas of the country, survey users may experience a shortage of information. In these cases, we may be pushed to the edge of our artistic comfort. Managers and employees may argue for the use of available compensation information that experience suggests will either over- or under-state the actual labor market. It may be tempting to use cost-of-living reports even though cost of living is, at best, a rough indicator of cost of labor in a particular area.

Extrapolation can be a useful tool where data is spotty. For example, there

Sizing Up Compensation Surveys

There is no substitute for a compensation professional's experience and judgment, but these key considerations can be helpful in evaluating the relevancy, reliability and user-friendliness of a particular survey or survey vendor:

- Is there substantial participant input in the design of the survey through a steering committee, advisory board or similar participant group?
- How robust are the job descriptions and leveling charts?
- Are job descriptions and leveling charts periodically reviewed and updated?
- Do survey participants regularly engage in peer-to-peer job-matching discussions?
- Does the survey cover necessary compensation elements (base, bonus, sales incentives and long-term incentives)?
- Does the survey have a robust method for collecting nonbase compensation elements?
- Do all firms participating in the survey provide data on *all* compensation elements?
- Does the survey employ technically accurate methods for valuing noncash compensation elements?
- Do survey managers routinely provide direct feedback on submission quality?
- Is feedback regularly solicited from participants?
- Does the survey manager provide a designated contact for participant questions?
- Can you actually speak to someone when you need assistance?
- Are the data elements included in the survey reports clearly explained and documented?
- Are all compensation computations clearly documented and available to participants?
- Does the reported data have an acceptable degree of face validity? (For example, 50th percentile is similar to the average; 10th and 90th percentiles are typically within 15 percent to 20 percent of the 50th percentile.)
- Are reweighting rules incorporated into the survey report to ensure no single firm represents more than a specified percentage of the survey results?
- Are minimum reporting guidelines implemented in accordance with safe-harbor rules (e.g., no data is reported when fewer than five firms match)?
- Are custom peer-group reports readily available (e.g., within hours)?
- Are reweighting rules applied to custom peer-group reports?
- Are there useful and user-friendly online survey tools?
- Are survey reports available in both PDF and worksheet formats?
- Is the survey produced on a timely basis?

may be little salary data available for an HR representative in Boise, Idaho, but very good data for a first-level finance position in Boise, Idaho, and in Kansas City, Kansas. If Kansas City, Kansas, also has data available on the HR job, the relative difference in pay levels between the two cities might be extrapolated to arrive at an approximate salary for the Boise, Idaho, HR position. This likely would be more accurate than one pegged to the area's cost of living.

easy to dismiss such information out of hand, but generally challenges such as these should not be summarily rejected. Any piece of data offered in good faith warrants at least some consideration and a thoughtful (and not purely defensive) response from compensation professionals. While not taken on faith, the outside research might even serve as an idea generator.

An initial approach when presented with outside data is to first consider

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In almost every case, survey users should regularly step back and evaluate their data sources. Are the results of the survey reasonably stable year after year, providing consistent information on trends? Has a data source been in existence long enough to have attracted a strong level of consistent participation? Are the companies that reported a match with the job in question those organizations with which the company actually competes for candidates?

Evaluating Publicly Available Consumer Data


Employees increasingly are coming forward with reams of survey data, ranging from information downloaded off the Internet to reports from mainstream business publications, which may conflict with the analyses. It's

whether the employee has a clear understanding of the source of the information, of how it was collected, from whom it was collected and of any basis for determining the information's reliability. Are pay levels self-reported, provided by a particular organization or collected by an independent third party? Self-reported information is certainly questionable, because there is no independent means of ascertaining whether it represents a faithful report or an employee's wishful thinking. It's also important to understand the job descriptions and leveling architecture employed in the data-collection process. The job title "accountant" is a bit too broad for any effective analysis of an individual employee's pay position.

Of course, the employee may not have answers to these questions and

may still press for acceptance of his or her data. In these situations, it may be useful to first identify an important information requirement in his or her present job, and then ask whether that person would rely on random Internet data to meet that job responsibility.

Conclusion

All compensation professionals want data to be quick and easy. Sometimes it's tempting to take any answer as *the* answer. Compensation professionals are charged with understanding the data they use and ensuring that data used is appropriate for the situation. When data sources conflict, there is little choice but to seek additional information that clarifies the source of these differences. Whether the data is from two excellent surveys in which the company participates, or company data versus Internet data, the process is the same. Compensation professionals must understand how the numbers were put together and then exercise judgment in determining what information to rely on for decision-making. 

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