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The Value of a Class & Compensation Study

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Today's Session Objectives

- What is a Class & Compensation Study?
- How can I convince Leadership to pay for it?
- Wait, I can get this information for free online, can't I?



What are Salary Surveys?

- Salary Surveys are tools used to determine the median or average compensation paid to employees in one or more jobs.
- Compensation data, collected from several employers, is analyzed to develop an understanding of the amount of compensation paid.
- Surveys may focus on one or more job titles, geographic regions, employer size, and or industries.



What are Salary Surveys?

- Salary surveys may be conducted by employer associations (e.g., SHRM), survey vendors, or by individual employers.
- Survey data is often time sensitive and may become out-of-date quickly.
- Because of the time sensitive information, surveys are often identified by the year or quarter in which the data was collected.



Types of data gathered in a survey

- Salary Surveys are analyses of compensation data.
- This data may include quantifiable aspects of compensation such as:
 - ✓ Base salaries
 - ✓ Increase percentages or amounts
 - ✓ Merit Increases
 - ✓ Salary Ranges
 - ✓ Median Salaries
 - ✓ Starting Salary
 - ✓ Salaries by levels
 - ✓ Salaries by years of experience
 - ✓ Salaries by revenue or annual budget



What to look for in a survey

- The results of surveys conducted by third parties (e.g., associations, consultants, survey vendors) can be relatively inexpensive compared to the cost of developing the same results your self.
- Surveys conducted by associations and vendors are often have a large number of participants which results in a more accurate analysis.
- Before purchasing survey results, you should make sure the results contain:
 - ✓ Appropriate Jobs
 - ✓ Summary
 - ✓ Methodology
 - ✓ Tabulations



How to Convince Leaders

Save Time:

- While there's a growing volume of free compensation data out there on the internet, hopping from website to website to cobble together pay packages isn't a recipe for long-term success.
- It's a time consuming process and the use of inconsistent and fragmented data sources can create real risks for your business, including weak internal pay equity and a propensity to burn through cash and equity resources faster than expected.
- Using a strong, industry-focused [compensation survey](#) as the foundation for your pay decisions will allow you to make fairer decisions and manage resources more wisely.
- You'll also save lots of time by having all of the data you need, including base salary, annual bonus and equity award information, on one consistent platform.



How to Convince Leaders

Make informed decisions and spend your money wisely

- The City or Town manager won't approve of spending \$150,000 on a new HRIS system without asking for some real research beforehand.
- So why would you invest the same amount of money in a prospective employee just because "it sounds about right"?
- Compensation surveys allow you to make truly informed business decisions by giving you reliable benchmarks based on your industry, company size, and closest competitors for talent.
- They allow you to understand and manage the market for talent rather than being dictated to by the market.



How to Convince Leaders

A Competitive Position

- National and global salary surveys also keep HR abreast of changes in the employment market, allowing adjustments in pay levels for skills that are no longer high in demand or for "hot jobs" that are more difficult to fill.
- To keep a competitive edge, HR professionals need to have the most recent market data available. If you skip a year reviewing current compensation, you put yourself at risk to underpay or overpay job positions that have been impacted by changes in the labor market.

 **How to Convince Leaders**

A Competitive Position

- According to Robert Half, an American human resource consulting firm, 38% of employees leave their jobs as a result of “inadequate salary and benefits.”
- Regular participation in, and review of, salary surveys can identify pay discrepancies before it is too late.

 **How to Convince Leaders**

Legal Compliance

- Consistent participation in salary surveys helps ensure your company is in legal compliance and not at risk for “price fixing.”
- Without reviewing reputable market data, your options are limited to internet searches, networking hearsay, and/or contacting the competition to determine what they are paying—which puts you at risk of violating antitrust laws.

 **How to Convince Leaders**

Legal Compliance

- Third party surveys provide current data on your company’s peers while maintaining confidentiality by following Safe Harbor Guidelines established by the US Department of Justice and the Federal Trade Commission (FTC) which require the following:
 - All data is reported in summary form only;
 - No data is reported for any job at any level where there are less than five companies matching (three company limit outside the U.S.);
 - Each participant must select a minimum of 10 companies in their custom peer group report; and
 - No organization's data will represent more than a 25 percent weighting for any job (35 percent weighting outside the U.S.).

 **How to Convince Leaders**

Investment Protection

- Your largest expense is probably employee salaries and benefits combined, a few thousand dollars more each year to ensure that your salaries and incentive levels are competitive seems to be a small price to pay to protect your largest investment.
- Equally compelling is the cost of losing an employee to the competition due to outdated compensation.

 **How to Convince Leaders**

Investment Protection

- According to a study by the Society for Human Resources Management (SHRM), the direct costs (of employee turnover) can be as much as 60% of the former employee's annual salary and total costs can be as much as 200%.
- Continuous benchmarking and evaluation of salary and incentive levels for existing employees will minimize turnover rates, increase company morale, and improve your bottom line.

 **How to Convince Leaders**

Defensible Decision Making

- Analyzing employee compensation and incentive plans is an ongoing process for HR.
- The consistent use of salary surveys helps formulate a company's overall compensation strategy and forms a foundation for plans that are internally equitable and externally competitive.
- Survey data provides a relevant basis for HR's decisions on salary, incentives, and bonus plans when meeting with senior management and employees.



How to Convince Leaders

Defensible Decision Making

- HR professionals will be more confident when communicating changes in pay knowing that their decisions were based on current market data that includes industry peers.
- For public companies, survey data also shows the board and shareholders in black and white how their senior management team's salaries stack up against the competitors and can help them identify if the company is at risk for losing top leaders to the competition.



How to Convince Leaders

Create a culture of consistency and transparency

- Let's say your company is about to hire a new software engineer, but they are asking for a lot more money than engineers currently on your team at the same level.
- You could pay your new hire exactly what they want and try to keep things quiet, but hoping for secrecy doesn't really work well in today's millennial-dominated workforce.



How to Convince Leaders

Create a culture of consistency and transparency

- The right course of action is to have a well-defined salary structure in place to guide how job offers are made.
 - However, getting there requires great market data.
- A good compensation survey serves as the source of truth your HR representatives and people managers need to make and communicate pay decisions with transparency while also staying consistent and up to date.

FGP **How to Convince Leaders**

Dependable Data

- You get what you pay for, and this is especially true with published salary surveys.
- The Bureau of Labor Statistics (BLS) offers free salary data, but the information is often several years old and, therefore, largely irrelevant.
- Given the pace of change within the economic and employment landscape, using old data puts HR at risk for lagging behind current pay trends.
- The risk of using other free data sources beyond the BLS is that the origins and assumptions on which they are based are generally unknown.

FGP **How to Convince Leaders**

Dependable Data

- Much of the free data online is submitted by individuals who may inflate their salary/pay levels at will.
- How could reputable survey organizations charge thousands of dollars for their reports if the free data available was accurate?
- The bottom line is that all high quality surveys cost something, but participants enjoy a large discount on purchase rates and the data is guaranteed to be current and qualified.

FGP **Who Can Do This?**

A recognized third party expert

- ✓ Ask about process
- ✓ Who on their team will complete the work?
- ✓ Are they looking at the essential functions of the job?
- ✓ Where does the data come from?
- ✓ How old is the data?
- ✓ Ask for references
- ✓ Ask for timelines and check in points
- ✓ Are they available AFTER to assist with other jobs
