



# Using Salary Surveys Effectively

*Written for MANP*

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Most employers recognize the need for an effective competitive compensation package to help recruit and retain highly qualified, productive employees. Even in difficult economic times, if your organization doesn't pay skilled people appropriately, another organization will be happy to do so. A number of factors make for a strong compensation package, some internal and others external to the organization. Typical internal factors include a means to ensure internal equity, opportunities for pay growth, and recognition of individual contributions based on performance and/or seniority.

External market comparisons help employers identify where their compensation program fits compared to compensation offered by other employers. These comparisons can be made by looking at resources such as industry information, pay information an organization has collected from other organizations, information assembled by local groups such as the Maine Association of Nonprofits, Bureau of Labor Statistics surveys, and surveys conducted by professional surveyors. Additionally, while you may not realize you are doing so, you are conducting informal market comparisons every time you negotiate pay with a new employee, hear the offer an exiting employee has received from another organization, or review media reports regarding pay practices. Many employers do choose to use professionally published surveys, but determining which surveys to use and how to use them can be a problem.

In order to make the best use of professional surveys, employers need to do their homework. The first step should be to identify jobs for which you will gather information. Some small employers look for survey information for all their jobs while larger organizations typically identify specific jobs, i.e., benchmark jobs, against which they will measure all other jobs in their organization. Either method can work well provided sufficient data is gathered. To make the process work, benchmark jobs must reflect an adequate cross section of your organization and be jobs for which information is readily available. Also, you should be comfortable with how your jobs have been valued in comparison to one another internally.

Once jobs to be surveyed have been identified, you will need to identify the appropriate labor market. To do this, you must determine where you currently draw or would like to draw qualified candidates from along with which organizations, in what geographical areas, might be an attractive draw for your current employees. The answers can help you narrow down your search for the

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appropriate survey or combination of surveys.

Here are a few things to look for in a survey and suggestions for how to effectively use surveys:

► **Look at the number of organizations participating in the survey, and the number of incumbents in jobs you will be using as benchmarks.**

The more data available, the more useful the survey information will be. There is no hard and fast rule about participant numbers, but aiming for a minimum of 20 participating organizations works well in most cases. A sample with only 10 participants and 5 incumbents in the jobs you are gathering data for will not be particularly useful unless you are looking at such a specialized occupation that there are only a few such jobs anywhere. If you do have a small sample size, look at the range of pay rates the survey provides for each of your benchmark jobs. The information in a small sample will be more helpful if reported wages and salaries are reasonably close to one another. If they are, then for this survey the market showed a clear prevailing wage rate. Also check to see if most of the reported salaries are from the same organization. When more organizations report information the data is better because there is a broader range of feedback.

► **Check to see if organizations included in the survey are similar to your organization in size, location, and type.**

The idea here is to think about what organizations yours competes with to find skilled employees. The more of your competitors included in the survey, the more useful it will be for you. If the survey includes primarily out of state organizations, look for organizations in regions similar to yours. For example, if your organization is located in a rural town and you want to look at information for benchmark jobs in the northeast, try to find surveys that will give regional data exclusive of the larger urban areas such as Boston, Providence, and Hartford unless you are trying to draw candidates from or are losing employees and prospective candidates to these areas. If you are, then you do want to know what urban rates of pay are, but even in that case the information is more useful if it is broken out by region so you can compare urban and non-urban pay.

► **Look at the description for the job surveyed.**

It is rare to find a job in one organization that is an exact match with a similarly titled job in another organization. More typically the scope of the job and day-to-day responsibilities will differ from one organization to another even if jobs have the same titles. A good survey will provide a job description that is sufficiently comprehensive for you to judge effectively how close the match is. If the scope of responsibilities is clearly broader in the surveyed job, then you will need to factor in that information. In other words, you most likely should set the pay for the job in your organization

lower than that of the surveyed job in order to reflect the differences in scope and expectations.

▶ **Determine when the survey data was gathered.**

Survey data typically is somewhat dated simply due to the logistics involved in gathering, processing, analyzing, and publishing information. Consider the publication date and decide whether you think information should be inflated by a factor equal to typical salary increases in the applicable labor market during the past year.

▶ **Decide how to make the most effective use of the numbers reported.**

A good survey will include a methodology for removing outliers from the data and for reporting data in more than one way. Most surveys will include a statistical mean by job. While this information is helpful, if the average is driven by a broad range of rates of pay, it would be more helpful also to know the median (the point where half the salaries reported are higher and half are lower) and to see data broken into quartiles. If quartiles are available, look most closely at data in the second and third quartiles – the mid 50% of the reported data – as this will provide the most competitive range. It will also be useful to know if reported data is for organizational ranges or for actual pay. The later, while not always available, is generally more relevant because it will reflect what individuals actually are being paid as opposed to range data which simply shows what individuals might be paid.

All these factors must be put in the mix as you consider where your benchmark jobs fit in the marketplace – it's this process that makes compensation work as much art as it is science. No survey will be perfect for your organization's needs, but if your approach to assessing the competitiveness of your organization's pay program includes several different tools and you keep the foregoing suggestions in mind, you should have a good start on establishing a pay program that will satisfy your current employees and help you attract skilled people.