

Determining the Competitiveness of Your Salary Structure

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You have decided that your organization needs to determine its market competitiveness. You have considered your alternatives; which are to purchase published survey sources, participate in sponsored surveys, or to conduct your own survey either yourself or through a third party. Each of these alternatives requires factors to consider, which may affect your decision. The factors include cost, time, reliability, availability, and confidentiality of the data, as well as legal issues. It will cost more to purchase published sources or to have a third party conduct a custom survey. It will involve more of your time to conduct your own survey. The data will be more reliable and meaningful if a custom survey is conducted. Confidentiality and compliance with legal issues will be secured if a third party conducts the survey. By collecting the data yourself, there is the potential for anti-trust violations (refer to our website at www.foxlawson.com/newsletter for our newsletter "New Alerts on Using Salary Survey Data" (volume 8, number 4), covering this topic).

After weighing these alternatives and the associated factors involved, you decide to conduct a custom survey. When conducting a custom survey, many items need to be addressed to ensure that the data you receive are reliable, valid and useful. Your first task is to define your labor market. When determining organizations to include in your survey, size, geographic location, and industry are the major considerations. General guidelines

are to select organizations that compete with your organization for employees, organizations that are no less than 50% and no more than 200% the size of your organization, organizations that serve similar populations in terms of size and community character, and organizations that have similar economic bases (taxes, operating budgets, per capita income etc.). The organizations will vary based on the level of job being surveyed (i.e., different jobs have different labor markets). Clerical and technical jobs are normally surveyed locally, administrative/professional jobs are normally surveyed locally and regionally, and management jobs are normally surveyed locally, regionally and nationally. The standard participation rate to expect is 50%-70%, so be sure to select enough participants so that if only half respond, you still have enough data to make and support conclusions. Fewer than five matches to a given job is normally considered an insufficient number for drawing valid conclusions.

Your next task is to identify your benchmarks. Benchmark jobs should be representative of a large proportion of employees within the organization, be widely representative of job families or occupational groups within the organization, be representative of all hierarchical levels within the organization, have well-defined job content and qualification requirements, and be found in similar form in competing

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organizations. You will also want to focus on those jobs that you're having difficulty in attracting and retaining. The standard number of benchmarks to be selected should equal about 30% of the total number of classifications in your organization.

If you have selected benchmarks correctly, they should cover about 50% or more of the employees. It is important to include summary descriptions that describe the benchmark job for participants to base the organization's benefit structure, you may or may not need to survey benefits. Some organizations simply collect what the benefits are as a percent of base salary in order to determine if their benefits as a whole are competitive with the market.

Some benefit areas commonly surveyed are time-off amounts by length of service, retirement contribution amounts by both employee and employer and amount of various insurance's paid by the both employee and employer. In addition to benefits, pay practice items such as the prevalence of variable pay, on-call/call-back pay, shift differentials,

merit increase amounts, and certification/education incentives may be important for your organization to collect. Standard salary information to collect is both actual salaries and salary range (formal minimums and maximums) information. Your organization's pay strategy will determine what specific salary data you collect.

It is important to prepare a survey questionnaire in a format that is concise, easy for response, and collects data in a fashion that is quantifiable. Communication with participants is critical; place a phone call initially to determine who to send the survey to, send a letter to the participants, and place phone calls to participants throughout the course of the survey to encourage participation and answer questions.

If you need assistance in determining your market competitiveness, please contact us to discuss how we can conduct a survey for you.

Please call 800-383-0976 for more information. Press 12 for Jim Fox and 20 for Bruce Lawson.