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# Consult a salary survey

## Overview

The most effective way of finding out what others are paying for their staff is to consult a salary survey. But you need to pick the right one - one that covers the jobs you're interested in, and if possible similar industries. Survey companies generally provide a range of benchmark job descriptions against which you can compare your own positions. You may find that you have no jobs in your organisation that sound anything like the benchmark jobs provided. If so, move on, try another survey, or another survey company. This resource will explain how salary surveys work, and show you what a sample survey looks like.



## Key terms

### **Benchmark position**

In remunerations management, a term used in salary surveying to describe those positions identified as typical of an occupational group and/or industry. Benchmark positions are stable, frequently-occurring positions with recognisable job titles.

### **Green circle jobs**

Job salary points appearing below the lower limit of a grade in a scattergram

### **Quartile**

Points on a distribution which indicate where 25% (lower quartile), 50% (median) and 75% (upper quartile) of salaries fall below

### **Red circle jobs**

Job salary points appearing above the upper limit of a grade in a scattergram

### **Scattergram**

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Or 'scattergraph'; term used to describe the plotting of a distribution of salary points on a graph

## What can salary surveys tell me?

Salary and wages surveys vary in size and range, may be conducted internally (in large organisations) or externally, and can be formal or informal, designed in-house, or custom made.

Some of the most well known salary surveys are conducted by remuneration specialists, such as Mercer/Cullen Egan Dell, and Watson Wyatt, or by professional associations such as the Australian Institute of Management (AIM).

The information gained from salary surveys provides the remuneration manager with information such as:

- market rates
- upper and lower quartile limits
- pay trends
- package figures
- package structures
- range of benefits, services offered
- location of own pay position in survey group.

You don't have to survey every job at work, just those that typically represent a significant pay-point in your system. They may be jobs at the top, or bottom of certain grades, or bands. Or they may be jobs where you're having trouble keeping people. If a survey can help you establish a few significant pay points, you can often build your system around them, by the 'relative value' approach.

## Why make market comparisons?

What can be gained from conducting a market survey? Teachers may ask students their thoughts on the benefits. To begin with, a review of a survey may reveal:

- the salary and package rates being paid by other employers
- trends in packaging, including the mix of benefits and services
- movements in salaries for particular jobs
- the impact and management of taxation (including FBT and superannuation)

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- ways in which job structures and definitions are changing
  - initiatives in wealth building remuneration schemes (such as ESOPs and profit share)

Wage and salary surveys in various forms are one of the most widely used means of gaining information on current market rates for jobs.

The aim of surveys is to:

- include complete, valid and recent remuneration data
- establish the range of market rates and benefits for various positions
- provide a valid basis for wage level decisions so that the organisation can attract and retain quality staff
- identify inequities
- provide a basis for developing an organisation pay structure.



## Think

**In what circumstances might you need to consult a salary survey?**

## Making sense of salary surveys

Survey information generally relates to standard job descriptions, or may simply rely upon job titles that broadly indicate the levels of the jobs.

To assist in making comparisons, the survey data can be grouped according to the size of the company measured by turnover or the number of employees. The contents of the survey may be restricted to salary levels or it may cover all benefits. Most commonly, salary surveys today indicate the total cash remuneration including all benefits, such as a car. Benefits are also shown separately for each position.

The data on salaries is usually presented in a way that gives the average salary and some indication of the dispersion around the average. This is often done in scattergram.

*There is a **sample survey report** with a scattergram in this resource - you may download it from the place where you got this worksheet.*

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The average figure given is often the median, which is the middle item in the distribution of all the salaries paid by the firms supplying information for a particular job. (That is, 50% of the jobs will be paid more than the median and 50% of the job will be paid less.) Dispersion is frequently shown by giving figures for the upper quartile and lower quartile. The upper quartile is the salary above which 25% of the jobs are paid more; the lower quartile is the salary below which 25% of the jobs will be paid less.

The value of the survey depends very much on a number of factors, including the size of the sample, the extent to which the sample is representative of comparable firms, the degree to which it is possible to rely upon the accuracy of the information and whether or not it is possible to relate the job titles in the survey to the jobs in the company. The accuracy of the information is difficult to assess.

The firms supplying salary data have had to relate their jobs to the standard job titles or descriptions supplied by the organiser of the survey. The fit can only be approximate, which is one explanation for the considerable dispersion that usually exists between upper and lower quartile figures. This is one reason why most large firms participate in a number of annual surveys.



### Tip

**The biggest problem is matching jobs within the organisation to the survey jobs. Be sure to ask the survey company for information about their benchmark position so you may compare it to the position in your own organisation.**

Surveys may be conducted in-house, developed by consultants or packaged (eg CED, Hay). They may be industry-wide, occupationally based, regional or local. Surveys may be completed by mail, phone, in person or conference.

Surveys need to incorporate fringe benefits, superannuation, incentive treatment of FBT, as well as base salary and wage rates.

## Conducting a wage and salary survey

Here is an outline of the steps for conducting a wage and salary survey. Even if you're only a reader of the survey report, it's useful to have an idea of the process behind it, so that you can critically evaluate the information you're given.

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## 1 Determine the purpose of the survey

It is important to determine the jobs, markets and firms to be included, and the information to be obtained. You must also determine the accuracy needed and the time frame of the survey. Obviously, if information is needed on only one or two jobs, a much less elaborate survey is called for than if a picture of an industry or an area is sought.

## 2 Determine the jobs to be surveyed

The jobs on which pay data are sought must be selected. Wage and salary surveys do not usually attempt to obtain information on all of an organisation's jobs. This is because some jobs are unique to an organisation and are unlikely to be found elsewhere. If a salary survey attempted to survey each and every position in every organisation the survey would take much too long to complete and the data would not necessarily be very meaningful.

Compensation policy in most organisations is based on a limited number of key jobs. These key jobs form reference points in the job structure. In most surveys a limited number of jobs (5-15) are chosen to represent the entire range of jobs for each category. Key jobs are selected on a number of criteria. They should represent the entire range of jobs in the organisation or as determined in the purpose of the survey. They should be readily definable and stable in content, and should represent good reference points in the job structure in terms of difficulty and responsibility.

Using this criteria you can choose the jobs to surveyed. Clearly, jobs involving recruitment or turnover problems will become key jobs in the survey.

## 3 Determine the organisations to be surveyed

This can be either by location, industry, common jobs (ie computing), or by organisational size. The number of organisations surveyed is also of great importance to the reliability of the data obtained.

## 4 Determine the information to be obtained

This is driven by the purpose of the survey. You can only obtain wage and salary information or you can add benefits and incentives for a more detailed result. The major information contained in wage surveys is pay information on specific jobs.

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## 5 Determine the survey method

Surveys may be made by telephone, in person, by mail, by email or in a group meeting, or even a combination of some of these methods.

## 6 Conduct the survey

The survey method usually determines the steps in conducting the survey.

## 7 Analyse and present the results

When the data from all cooperating organisations has been collected, it is tabulated, summarised and presented in the form of results. All information is edited for comparable terminology and units before tabulation.



### Think

**You are the Personnel Manager for McDonnell Palm Enterprises.** The Sales Manager has approached you and demanded you review his secretary's wages. She has told him that other similar organisations, including your direct competitor PAL Inc., are paying at least 2,000 per annum more for comparable positions to hers. The Sales Manager wants you to check out her claims with a view to increasing her salary.

Describe the methods you could use to determine the accuracy of the secretary's claim, and identify the problems that may prevent a direct comparison being made.

## Is it worth participating in a survey?

You may be asked to provide pay information about positions in your own organisation to the survey company – after all, that's the way data is collected. You don't have to, or may not be able to if none of your jobs look anything like the benchmark descriptions provided. However, you'll probably get more out of a survey if you are able to contribute data - you get the opportunity to compare what you're paying for a position, with that of ten, twenty, maybe even more employers in the market place.

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Employers may commit their time, resources and money (in terms of subscription and purchase fees), only to be disappointed by the usefulness of the results of a salary survey. So you must be sure that you will gain something from it before you agree.

Ask to view previous reports from the survey company, and ask them how they will ensure that:

- the sample size will be large enough
- the jobs to be surveyed are relevant to you
- data will be current when you need it
- the analysis on the data will be rigorous
- information will be clearly presented.

This resource is adapted from McBride T. (2003) **Teacher Guide for Manage Remuneration and Benefits 9795J**, TAFE NSW Business and Public Administration Division; additional material by Deborah Evans; used with permission.