Uses and Abuses of Compensation Surveys

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Problem: Competitive Compensation

- Is your compensation competitive with your market?
- Are your employees paid what they should be?
- What are other colleges and employers in your area paying?
- What will it cost to be competitive?
• Sources of salary and benefits data
• Considerations in selecting data sources
• Issues that may cause problems with data
• Issues that may cause problems with the analysis of data
• Purchased surveys
• Participate in sponsored surveys
• Custom third party surveys
• Conduct your own custom survey
• Internet based surveys (e.g. salary.com)
• Make up your own numbers (only kidding - just wanted to make sure you were awake!)
Decision Factors

- Cost
- Time
- Reliability
- Confidentiality
- Availability
## Decision Factors

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost</th>
<th>Time</th>
<th>Reliability</th>
<th>Confidentiality</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased</td>
<td>Low</td>
<td>Fast</td>
<td>High/ Medium</td>
<td>High</td>
<td>Excellent</td>
</tr>
<tr>
<td>Sponsored Surveys</td>
<td>High</td>
<td>Slow</td>
<td>High</td>
<td>Moderate</td>
<td>Limited</td>
</tr>
<tr>
<td>Custom 3rd Party</td>
<td>High</td>
<td>Slow</td>
<td>High</td>
<td>High</td>
<td>Limited</td>
</tr>
<tr>
<td>Conduct your Own*</td>
<td>Low</td>
<td>Slow</td>
<td>Low</td>
<td>High/Medium</td>
<td>Excellent</td>
</tr>
<tr>
<td>Internet</td>
<td>Low</td>
<td>Short</td>
<td>Low</td>
<td>High</td>
<td>Excellent</td>
</tr>
</tbody>
</table>

*Sherman Anti-trust risk
Conducting Surveys

- Select benchmark jobs
- Select organizations to be surveyed
  - Type
  - Size
  - Number
- Gather, review and verify information
- Analyze data and build model structure(s)
- Report results to participants
Selecting Benchmark Jobs

- Should be match-able (President, HVAC Mechanic, Librarian)
- Should reflect large numbers of employees
- Should reflect a cross section of occupational groups
- Should cover all hierarchical levels
- Should be clearly defined
Collecting Benchmark Data

- Summaries should contain pertinent information and be concise
  - Level of job or organizational placement
  - Title of who the job reports to
  - Title(s) of who the job supervises, if applicable
  - One sentence duty statements reflecting job content
  - Education and experience requirements
Survey Participants

• Organizations that compete with your organization for employees
  – recruit from,
  – lose to, or
  – directly compete for the same talent pool

• Employers that reflect the general labor market(s) in which you compete for personnel
The Labor Market

- Local
- Regional
- National

---------------------------------------------------------------------

- Industry
- Function
- Size
- Varies by level/job type
• Organizations that pay a whole lot more than yours (again, just kidding but if you have represented employees, they may want to use this criteria!)
Market Definition

- No less than \( \frac{1}{2} \) of the size of your organization
- No more than \( 2 \times \) the size of your organization although there can and will be exceptions (aren’t there always!)
Market Definition

- Organizations that serve similar populations (both in terms of size and community character)
- Organizations that have similar economic bases
- Organizations you recruit from or lose employees to
## Market Definition

<table>
<thead>
<tr>
<th>Survey Source</th>
<th>Executive/ Administrative</th>
<th>Information Technology</th>
<th>Professional/ Technical</th>
<th>Non-Exempt</th>
<th>Faculty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houston Compensation Association Survey</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Alvin Community College Survey</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Mercer HR Management Compensation Survey</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>College &amp; University Professional Association Survey</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Economic Research Institute</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>American Federation of Teachers</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas Association of Community Colleges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>
## Market Definition

<table>
<thead>
<tr>
<th>Job Type</th>
<th>Exec/Admin</th>
<th>Prof/Tech</th>
<th>Classified</th>
<th>Faculty</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>Urban Colleges Private/Public Sector</td>
<td>Urban Colleges Private/Public Sector</td>
<td>Urban Colleges Private/Public Sector</td>
<td>Urban Colleges Private Sector (workforce)</td>
</tr>
<tr>
<td><strong>Organization Size</strong></td>
<td>Similar Programs</td>
<td>Small, Medium</td>
<td>Small, Medium</td>
<td>Similar Programs</td>
</tr>
<tr>
<td><strong>Geography</strong></td>
<td>National/Regional/Local</td>
<td>Local Regional</td>
<td>Local</td>
<td>National/Regional/Local</td>
</tr>
</tbody>
</table>
Market Definition

- Minimum of 10 participants, although all jobs may not have 10 data points
- Under recent consent decrees related to the Sherman Antitrust Act, at least 5 matches per benchmark are required for sufficient data to draw conclusions (old standard was 3 matches)
- Survey output must be aggregated rather than showing individual organization data
### Example of Non-Aggregated Data (Not Legal)

<table>
<thead>
<tr>
<th>Source</th>
<th>Minimum</th>
<th>Actual Average</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miami-Dade CC</td>
<td>$42,984</td>
<td>$48,209</td>
<td>$58,340</td>
</tr>
<tr>
<td>Austin CC</td>
<td>$43,853</td>
<td>$49,903</td>
<td>$60,198</td>
</tr>
<tr>
<td>Alamo CC</td>
<td>$39,198</td>
<td>$45,877</td>
<td>$59,929</td>
</tr>
<tr>
<td>Pima CC</td>
<td>$38,339</td>
<td>$59,897</td>
<td>$60,981</td>
</tr>
<tr>
<td>Sinclair CC</td>
<td>$45,000</td>
<td>$52,698</td>
<td>$65,164</td>
</tr>
<tr>
<td>Source</td>
<td>Minimum</td>
<td>Actual Average</td>
<td>Maximum</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------</td>
<td>----------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Community College Averages</td>
<td>$41,874</td>
<td>$51,317</td>
<td>$60,922</td>
</tr>
</tbody>
</table>
Analysis of Data

• Statistical measures
  • Average (unweighted or weighted)
  • Place in market
  • Percentile (25th, 50th, 75th)
• Updating or trending data to current timeline
• Adjustments for geographic differences
Analysis of Data

• Your position versus the market
  – Job to job
  – Jobs by grade (Internal Equity)
  – Structure to structure
• Overall trend comparison
<table>
<thead>
<tr>
<th>Job Title</th>
<th>Internal Actual Salary</th>
<th>Market Median Salary</th>
<th>Percent Difference</th>
<th>Market Unweighted Average</th>
<th>Percent Difference</th>
<th>Market Weighted Average</th>
<th>Percent Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>$58,812</td>
<td>$60,259</td>
<td>-2.5%</td>
<td>$59,831</td>
<td>-1.7%</td>
<td>$51,554</td>
<td>12.3%</td>
</tr>
<tr>
<td>Buyer</td>
<td>$47,204</td>
<td>$42,339</td>
<td>10.3%</td>
<td>$44,136</td>
<td>6.5%</td>
<td>$36,317</td>
<td>23.1%</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>$128,378</td>
<td>$135,827</td>
<td>-5.8%</td>
<td>$144,805</td>
<td>-12.8%</td>
<td>$144,805</td>
<td>-12.8%</td>
</tr>
<tr>
<td>Claims Administrator</td>
<td>$52,043</td>
<td>$49,423</td>
<td>5.0%</td>
<td>$49,790</td>
<td>4.3%</td>
<td>$56,355</td>
<td>-8.3%</td>
</tr>
<tr>
<td>Executive Secretary</td>
<td>$38,835</td>
<td>$42,622</td>
<td>-9.8%</td>
<td>$41,959</td>
<td>-8.0%</td>
<td>$46,409</td>
<td>-19.5%</td>
</tr>
<tr>
<td>Network Administrator</td>
<td>$60,246</td>
<td>$56,900</td>
<td>5.6%</td>
<td>$60,830</td>
<td>-1.0%</td>
<td>$56,371</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Overall Average Differences: -0.5% -4.1% -1.6%
Analysis of Data

- Regression Analysis
  - Line of best fit by job family or whole structure
  - Predicts market pay rate corresponding to job evaluation level
  - Produces two values which are utilized in equation to calculate predicted pay rate, given a job evaluation rating
Internal vs. Market 50th Percentile (Median) Regression Analysis
Actual Salaries

Salary

DBM Rating

Internal Actual  Market Median Actual
Internal Trend  Market Median Trend

Fox Lawson & Associates
a Division of Gallagher Benefit Services, Inc.
Determine elements of total compensation
   • Base pay
   • Variable pay
   • Benefits
Variable Pay

- Determine what is included in the variable pay:
  - Skill based pay
  - Educational incentives
  - Shift differentials
  - Labor market premiums
  - Performance pay
  - Bonuses
  - Longevity
Benefits

- Pay for time not worked (vacation, sick leave, holidays, bereavement leave, jury duty)
- Insured benefits (medical, dental, life, disability)
- Employer paid retirement contributions
- Legally required payments (Social Security)
- Other cash payments available to all employees
• Salary data is tricky to interpret
• Employee and employers have a lot invested in the results
• Accurate and reliable data is hard to obtain
• The market will change tomorrow
• Surveys are no more than a snap shot in time
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