

An Overview of Survey Data

Survey data, also referred to as market data, is information that is a key ingredient in all compensation plans. Like all information used in making business decisions, it is important to know how the information is to be used, what the information represents, and the source of the information.

Businesses use survey information for one or more of the following purposes: (1) to compare their existing pay rates to the external labor market, (2) to determine a pay rate for a new person entering the organization, (3) to create or adjust their existing pay ranges, (4) to make decisions on pricing services and/or staffing decisions.

For survey information to be of value to an organization, it must represent the labor rates for the target labor market in which it competes for employees. If the organization's strategy is to "pay competitively" in the local labor market, then local survey data is needed. If the strategy is to pay competitively on a national basis, then a national labor market should be defined which includes the targeted metropolitan areas from which the company will recruit. Table 1 illustrates that simply using the national average as the target labor rate for a job does not ensure a competitive rate if the desired employees are in one of the high labor cost markets. It can also result in over compensating if employees are not recruited from the higher labor cost markets.

In addition to defining the geographic definition of the target labor market, the industry in which the labor force is employed should also be considered. Table 2 illustrates the difference in the pay rates for Production Supervisors by industry. As a general rule, industries that pay its production workers higher will also pay its production supervisors higher.

There are a variety of sources for market information. Sources included: third party survey companies, ad hoc surveys conducted by employers, surveys conducted by associations, data compiled by employment agencies, and meta surveys that compile survey data from surveys conducted by others.

The type of information collected in a survey will also vary by the type of jobs included in the survey. For example, surveys for sales jobs should collect data on commissions, bonuses, on-target earnings, sales quotas and actual sales achieved in addition to base pay.

Survey data for professional positions such as engineers is also collected and compiled in a maturity curve format. This format relates salary to years of experience.

Users of survey information are encouraged to evaluate the source of information asking the following questions about the data:

- When was the data collected?
- How was the data collected? Individual employee rates or average rate paid?
- Who participated in the survey? Name, Location, Industry, Size
- Will the survey be repeated?

Table 1 - Electrical Design Engineer - 11 years experience		
Labor Market	Median	Index
San Jose	89,515	119.2
Boston	83,741	111.5
Seattle	83,255	110.8
Chicago	82,426	109.7
Denver	80,828	107.6
Wash DC	80,424	107.1
Baltimore	78,146	104.0
Madison, WI	77,214	102.8
Atlanta	76,898	102.4
Richmond	76,252	101.5
National Avg	75,118	100.0
Huntsville	73,786	98.2
Jackson, MS	72,592	96.6
El Paso	70,905	94.4
ERI database as of April 1, 2002 Planning Date as of September, 10 2002		

Table 2 - Production Supervisor	
Industry	Median
Chemical	55,702
Electronic	34,652
Survey Data from North Alabama organizations as January, 2002	

Table 3 Survey Statistics - Understanding Percentiles		
Formula: (No. of cases in array + 1) times (percent) = nth percentile		
Example: The 50 th percentile equals 10 + 1 x .50 or the 5.5 case from the bottom counting up.		
Case	Salary	Percentile
10	60,000	
9	58,000	
interpolation	56,500	75 th
8	56,000	
7	54,000	
6	52,000	
interpolation	51,000	50 th
5	50,000	
4	48,000	
3	46,000	
interpolation	45,500	25 th
2	44,000	
1	42,000	