

BENCHMARKING OVERVIEW

-Karey Wong



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Importance of Market Study

- The objective of market analysis is to determine the market pay level as defined by our compensation guideline. Once we finish the internal vs external market pay analysis, we can then determine where we are compared to market (25th, 50th, 75th).
- We want to become more **proactive vs reactive** to market changes. By listening to our HRBPs and Recruiters, it will help us indicate if we need to price a job or benchmark out of cycle.
- When we benchmark our pay against other companies with similar jobs, we can identify any large, unexplainable disparities.
- Analyzing pay can have a huge impact on **retention, job satisfaction, morale, budgeting, performance, maintaining internal and external equity.**



SUPPLY and DEMAND

Market studies help us learn about **supply & demand of talent** (competition for jobs). Pay can decrease or increase over time if there is an oversupply or decline of qualified candidates or a decrease or increase of demand for certain jobs.

- Ex: 1 Geologist jobs declined when oil companies drop their oil prices.
- Ex 2: The demand of cyber security jobs increased, due to past security breaches, hacks and legislation. Media companies have been paying above market to attract and retain these key talent.
- Ex 3: Demand of IT jobs have boomed due to due dot.com in the 2000s.



Hot Jobs or Hard To Fill Roles- Confirmed By Recruiters

***Hot Jobs
(Market)***

2024 Toughest Jobs To Fill



- **Tech Industry:**
 - Machine Learning
 - AI Engineers
 - Software Engineers
- **General Industry:**
 - Software Developer
 - AI Machine Learning Analyst
 - Network Security Analyst

Industry-Specific, General Industry vs. Custom Surveys

Compensation surveys collect pay data from participating companies.

- This pay data includes information on base salary, bonuses, and equity for benchmark jobs. Benchmark jobs refer to common positions that are likely to exist in all companies, such as Accountants, HRBPs, Engineers, Sales Managers, etc.
- Some survey vendors also provide complimentary practice reports that assist companies in setting their budget for promotions, merit, retention, and market adjustment cap percentages. Additionally, they offer non-compensation data, such as benefits, attrition, new hires, retention data.

Survey vendors equip companies with thorough compensation reports, guiding them on how to:

- Benchmark their internal job positions' pay against their target market pay. This can be based on various percentiles such as the 25th, 35th, 50th, 75th, 90th, etc., depending on the company's compensation philosophy.

There are three primary surveys companies participate in:

- General Industry
- Industry-Specific Survey
- Custom Survey

Selecting The Right Surveys

Industry Specific Surveys

- Industry-specific surveys are tailored to specific sectors.
- Companies may opt for an industry-specific survey if a relevant one is available. Examples include surveys tailored for the media, music, and high-tech sectors.
- General Industry Jobs

These surveys encompass a broader range of professions and aren't tied to a specific industry.

- Companies often chooses 1 or 2 of these general surveys to cover common benchmark roles, such as accounting, human resources, legal, and facilities management positions.
- Custom Surveys Used in Special Circumstances

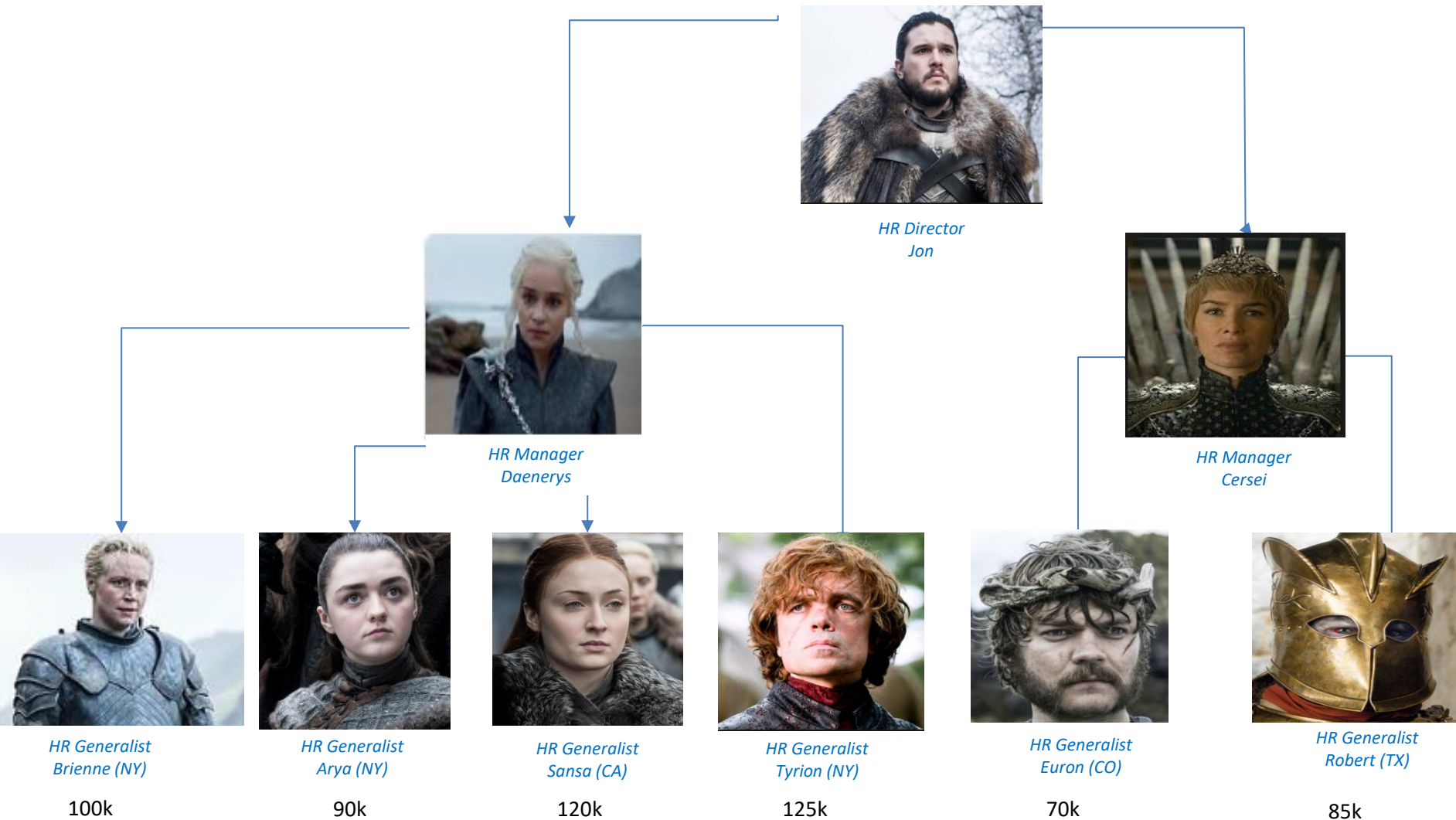
Custom surveys are designed to gather very specific data.

- For instance, if **Indeed** requires data exclusively from top 50 competitor companies, they might collaborate with survey vendors such as Korn Ferry to distribute questionnaires just for their specific targeted peer groups to participate in.
- These custom surveys can be costly and demand significant time and effort.
- Some companies might choose to participate, while others may decline.

Peer Group Cut Survey

- This approach involves the org identifying which companies they are in competition with for talent.
- By pinpointing a specific set of companies, **Indeed** can benchmark their internal data against these entities to ensure they remain competitive in the talent market.

Benchmarking Example- Retention Case



Problem:

- Jon Snow is worried about retaining Arya, one of his high-performing direct reports.

Next Steps:

- Jon discusses his concerns with the HR Partner. The HR Partner contacts the Compensation Team for pay suggestions to keep top talent.

What Comp Team Needs From HR?

Market Analysis can begin if HR request pay recommendations for:

- Open Requisitions (back fill vs new headcount)
- Retention (ex: counteroffers)
- Pay Equity/ Pay Equality
- Pay Compression
- Promotion
- Head Count Budget
- Market Adjustments due to:
 - Cost of living
 - Cost of labor
 - Consumer price index

What Comp Team needs from HR:

- Business justification (open req, promo, retention, pay compression, etc.)
- Finance headcount budget
- Job description
- Industry Title (Commonly used titles across all companies)
- Direct report names (if applicable)
- Reporting manager name
- Role location

Please provide 2-3 days advance notice, so that the Comp Team can have advocate amount of time 😊

Factors That Impact Pay Recommendations

- Business Justification
- Budget/ Cost
- Right Timing
- Affordability
- Historical Trends/ Pay History
- Critical Employee List
- Pay Laws (ex: Minium Wages)
- Hot Job- Supply vs Demand
- Avg Candidate Pay Expectations
- Performance History
- Internal Peer Group
- People Manager vs Project Manager
- Manager vs Direct Report Pay
- Inflated or Deflated Job Titles/ Levels
- Market Guideline for Increase %

Sample Pay Proposal

- After the Comp Team benchmarked the HR Generalist role internally vs externally, they found no pay compression issues.
- The team also referred to Market Salary Increase % data across different countries, job families, and job levels prior to making a pay proposal of 100k, which is align with external market and internal pay across the org.
- Moving Arya from 90k to 100k is consistent with general market salary adjustment, which is typically between 8-12%

Rention Case	Arya
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Current Pay	\$ 90,000
External CR	-13%
Internal CR	-10%

Market Pay	\$103,750
Internal Pay	\$100,000

New Pay Proposal	\$100,000
External CR	-4%
Internal CR	0%

% of Increase	11%
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Internal Company Analysis

Internal Peer	Manager	\$	205,000
	Direct Reports		Not Applicable
\$ 100,000			
\$ 120,000			
\$ 125,000			
\$ 70,000			
\$ 85,000			
\$ 100,000	Median		

External Market Analysis

Pay	Survey	Title
\$ 110,000	Radford	HRBP
\$ 100,000	Croner Digital	HR Partner
\$ 90,000	Coner Entertainment	People Partner
\$ 115,000	Towers	HR Generalist
\$ 103,750	Avg	

Guideline	Capped
Market Adjustment	8-12%
Promotion	12-20%

Standard Practice Across The Industry*

Note: Due to budget issues, some companies might not be able to provide a 11% market adjustment. For those cases, the market adjustment will be adjusted by quarter (ex: COLA adjustment 3% Q1, CPI adjustment 4% Q2, 3% COL adjustment Q3, 2% + 3% standard merit increase **Q4*****)

APPENDIX

Common FAQs



• **Q: What is the difference between Pay Equity and Pay Equality?**

• A: Pay Equity is equal pay for equal work of equal value. In some states, job evaluation and job classification are required. Pay Equality is where employees can earn the same pay based on broader diversity initiatives.

• **Q: Can pay influence performance?**

• A: Comp is only a component of performance. Learning and development, constant feedback, check ins with managers, training, company moral, trust building all impact performance.

• **Q: Why do we use surveys instead of Glassdoor?**

• A: Glassdoor reviews contain feedback from employees (which might be biased or fake). Surveys are more credible and have a great reputation for their general industry and media data.

• **Q: Why do companies use Salary Grades or Bands?**

• A: They are structures that allow companies to efficiently administer its jobs' market pay levels, salary adjustments (merit, promotions, off-cycle) and can be used for career path discussions

• **Q: What is the difference between market adjustment & merit increase?**

• A: Merit increase is based on performance. Market adjustment is a one-time variable pay. If an employee gets 6% merit increase and a 12% market adjustment increase, we don't want the employee to conflate the two and expect an 18% increase every year.

Comp Key Terms

Market Study – the process by which we compare the pay for our jobs against what other companies with similar jobs are paying

Benchmark Job – a job commonly found in the market

Compensation Factors – details about a job that influence how the job is paid (years of experience, education, skills, responsibilities, travel percentage, etc.)

Labor Market – is the industry, the size of the organization, and the location we compete to hire employees. It is also called “Talent Market.”

Percentile – a point on a rank- ordered scale, found by arranging a group of data points in order of magnitude from lowest to highest. The first percentile approximates the very lowest number found, while the 100th P is the very highest. Our target percentile is the exact point in the market where we intend to pay proficient employees. Ex: 90th percentile means 10% of industry is paying higher than what you are paying for the benchmarked job

Comp- Ratio – how an employee pay rate compares to the midpoint of their range (Pay Rate divided by Range Midpoint)

Position in Range – an individual pay compared to the complete pay range, or how fair a pay range an employee’s pay has progressed (Pay Rate minus Range Minimum) divided by (Range Maximum minus Range Minimum)

Compression – wage compression is a phenomenon that occurs when a new hire is paid the same as or more than employees with more seniority in the same job

Comp Key Terms

Red-Circled Employee- is one whose pay has exceeded the maximum of the range for their job

Green-Circled Employee- employee is one whose pay is below the minimum of the range for their job

Internal Pay Equity- exists when employees at an organization perceive that they are being rewarded fairly according to the relative value of their jobs.

External Pay Equity- exists when an organization's pay rates are equal to the average rates in the organization's market or sector

COLA- Cost of Living Adjustments. An across-the-board salary increase or supplemental payment intended to bring pay in line with inflation in a geographical area

Cost of Labor- is what an organization pay employees to do a job/produce work for said organization

Merit Increase is a performance-based raise to an employee's pay

Market Adjustment is an increase to the employee's pay based on market movement.

Merit Matrix- a pay for performance tool used to determine pay increases for individuals based on their performance and position in range (or range penetration).

Non-Exempt Employees are those who are subject to the minimum wage and overtime pay provisions of the Fair Labor Standards Act (FLSA).

Exempt Employees are those who are not subject to FLSA minimum wage and overtime provisions.

