



## Understanding How Companies Establish Salary Levels Contributed

By Barbara Poole

*Thinking of asking for a raise? Then read further to understand the process behind determining the value of a job in today's job market.*



Any employee hoping to get a raise needs to understand the process behind salary analysis and its impact on what a job is worth in today's labor market. It's not as simple as just snatching some numbers out of the air to create salary ranges for positions. There's a lot of work involved.

First, keep in mind that the value of a job and the value of an individual in that job are two very different things.

In many companies, when a hiring manager wants to extend an offer, he or she works with Human Resources to offer a salary that is meaningful to the candidate. Part of that number is related to a rate that allows the candidate, once he or she is an employee, to receive increases at annual review time. What you may not know is that corporate positions have a range. There is a low, middle, and maximum range for each job in the company. Employers often prefer to hire at or below the mid-range to allow room for economic growth in the position. If they did not do that, think of the consequences of a candidate hired at the maximum salary level. At the first performance review, he or she is maxed out in salary. Unless there is a promotion available at that moment, the company is looking at a turnover statistic, as the employee will undoubtedly start to think of moving on rather than stay in a job that has no potential for pay increases.

### *So how do salary ranges get set in the first place?*

The position is valued based upon an in-depth analysis of the job responsibilities, the industry or field, the company size and the geographic location of the position. Employers also consider the value of the individual in a particular position is based upon their specific skills, experience and tenure with the company.

The process begins when a compensation analyst uses salary surveys to conduct a salary analysis and develop a salary range for every job in their company.

Salary surveys are reports of information usually gathered by external organizations — such as the Economic Research Institute (ERI) — that specialize in the field of gathering and compiling compensation detail. Many companies participate in these salary surveys by matching the job duties of positions within their own organizations with the job duties of positions listed in the salary survey, not the job titles. This way companies that use different job titles to describe similar jobs — say, help desk technician and desktop support rep — can make better matches for more accurate comparisons.

One important note about the salary surveys that compensation analysts use: depending on the external organization that is compiling the data, the salary survey may be more generic or it may have a specific focus such as an industry such as healthcare or real estate, or a specific job field such as information technology or marketing. That's part of the challenge.

Once the various external compensation organizations have compiled their salary data, compensation analysts use the salary information gathered from several different salary surveys then analyze the data to come up with an overall appropriate salary range for each position in their company.

The next step in the salary analysis process is to then look at each team member in a job category in the company and compare their education, experience and length of time within the organization to determine the appropriate salary that fits within the salary range. Obviously, those with more experience and tenure will command a higher salary than those with less experience and tenure.

Compensation executives are among the most highly paid individuals within the Human Resources structure



## Career Tips

of organizations today. Why? As you've just read, using salary surveys to complete a salary analysis is a very time consuming and complicated process that has to be repeated annually in order to stay ahead of market changes. However, the ultimate reward is being able to determine an equitable and fair salary range for positions and for the employees who fill them.

### About the Author

Barbara Poole created Employaid after 25 years of working with major corporations to improve company and individual performance. She started her career as a human resources director in a national specialty store chain, and continued up through the ranks in senior human resources positions for Fortune 1000 retail companies. A career move to management and training consulting followed, spanning Senior Consultant and Director of Business Development for MOHR Development, an international training consultancy, and finally, National Practice Director, Revenue Improvement at Arthur Andersen Business Consulting. These experiences tied to the work

of Barbara's own firm, Poole Resources Inc., dedicated to providing sales, marketing and organizational solutions for growing top line revenue in Fortune 1000 companies. Clients included May Department Stores, LensCrafters, Walt Disney Attractions Merchandising, American Tourister, The Estee Lauder Companies, Warnaco, Compaq (HP), Dunkin' Donuts and Baskin-Robbins. Barbara has presented at trade group conferences including the National Retail Federation, American Society for Training and Development, and the International Council of Shopping Centers. She has developed a number of management tools for corporations including VirtualCoach™ and RPM™, a process for building market share through a focus on the demand chain. After completing a major in Sociology at Hofstra University, Barbara graduated from and was an adjunct instructor in the Hofstra-Cornell NYS School of Industrial and Relations Labor-Management Studies program. She has been quoted in national and trade publications. Barbara is a member of the National Association of Women Business Owners, the Institute of Management Consultants, and the Habitat for Humanity Partners Council.

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