Trends & Issues

Compensation data: How to make it work for your organization

What is compensation data?

Compensation data includes a wide variety of information about salaries and benefits that employees receive for the work they do; the data is generally collected through surveys of employers. Some compensation surveys attempt to give an overview of an industry or sector, while others focus on specific positions or on particular types of organizations. The information from compensation surveys is used by industry organizations and policymakers as well as by employers and employees.

Why employers use compensation data

Equipped with knowledge of the wider compensation landscape, organizations can ensure that they compensate employees in ways that are both competitive and aligned with their organizations' objectives.

Compensation data helps organizations compete for talent (hint: there is more to compensation than salaries). Most nonprofit organizations operate on lean budgets, and many pay relatively low salaries. But there is more to compensation than salaries. Compensation also includes factors such as flexible work arrangements, a stimulating workplace culture, and professional development opportunities. Research indicates that these non-financial forms of compensation are important to employees. The critical thing is to think broadly and creatively about what kind of compensation system will help your organization and your employees get the best from each other. Survey data can illuminate a range of compensation practices and possibilities.

Compensation data supports fairness in the workplace. Compensation is an important factor in an employee's sense of whether he or she is being treated fairly by an employer. It is important for morale and organizational effectiveness that employees feel appropriately rewarded given their role within their organization (internal equity) and relative to employees performing similar work in other organizations (external equity). The key is a considered, transparent, and defensible approach to total compensation.

How to use compensation data

Like all research data, compensation survey data must be approached critically. Some characteristics to look for:

Validity and reliability. Validity is basically about whether the data provide the information you seek. Did the survey ask the right questions? Was the survey process designed to provide good information? Did the information come from appropriate sources? Your circumstances and your uses for the information will influence your assessment of the validity of the information. Validity can be obvious in data from organizations that are similar to yours, with similar kinds of jobs in a similar labour market. However, highly comparable data like this may not be available and examining the strengths and weaknesses of the survey will help you decide how much the findings should influence your decisions.

Reliability is about the likelihood that findings can be replicated. Are the survey questions likely to be read and understood the same way by different people? Look at the questionnaire. Are the questions straightforward, or is there room for misinterpretation?

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Usability. Are the results presented in a way that is clear and meaningful to your organization? Is the information explained and qualified in ways that make sense?

Completeness. Does the report give a comprehensive picture of employee compensation? Do you get a clear sense of employees' total compensation, or are compensation elements other than salary are being ignored?

Depending on your needs, some surveys will be more helpful to you than others. As a base, look for surveys that capture results from organizations that are comparable to yours. For example, they may be in the same line of business, of similar size and/or budget, and reside in a location with a similar cost of living. Look for surveys that provide data for positions like those in your organization.

To make the best use of the data, it is important that you consider what allowances you have to make for differences between your organization and the ones on which the data are based, and for the unique aspects of the positions in your organization.

A good sample size can also be important when it comes to enabling comparisons. Suppose you want to understand how your compensation of an administrative assistant measures up. Ideally, you would want a survey that plenty of organizations had completed, and that covered organizations (a) similar to yours in size/budget (b) that employ administrative assistants and (c) whose administrative assistants' job descriptions are similar to yours. You might never find the perfect data set, but surveys with bigger samples and broader scope can be more likely to provide useful comparative data that meets your needs.

Look carefully at the reported findings (ideally alongside the questionnaire) to ensure that you are interpreting the data correctly. For example, information about "flexible start and finish times" is different from information about "flexible work arrangements," which can include various flexibility options in work time and place. If a report uses shorthand (especially in a chart or caption), it would be easy to mistake one for the other. Being clear about what you are reading will help you draw the right conclusions for your organization.

Why share your own data?

Nonprofit organizations can only benefit from compensation data if researchers are able to gather enough good information. Each nonprofit organization has the power to increase the quantity and quality of available compensation data by sharing information about its own practices through surveys.

The more organizations participate, the more useful the data becomes. Apples to apples comparisons are the ones that count. The more organizations contribute data, the more likely it is that any given organization will be able to find helpful data about the practices of comparable organizations.

Participating in compensation surveys can increase your access to data. Some researchers only make their results available to organizations that have participated in their surveys. Others offer survey data for non-participants to purchase, but offer significant discounts to organizations that contributed to the research.

How do you get started?

The HR Council's website has more information about compensation data, existing compensation surveys and about how to approach compensation in general. This material will help you get started and is being updated and expanded over the next few months.

Stay Tuned: The HR Council is creating new information and tools for employers!

As part of our Labour Market Information (LMI) project, the HR Council has convened a Compensation Data Advisory Committee. This group is working to assess the sector's data needs and determine which resources will enable increased use of quality compensation data among nonprofits.

If you have any suggestions about how the HR Council can support your use of compensation data, please contact Tanara Pickard.

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