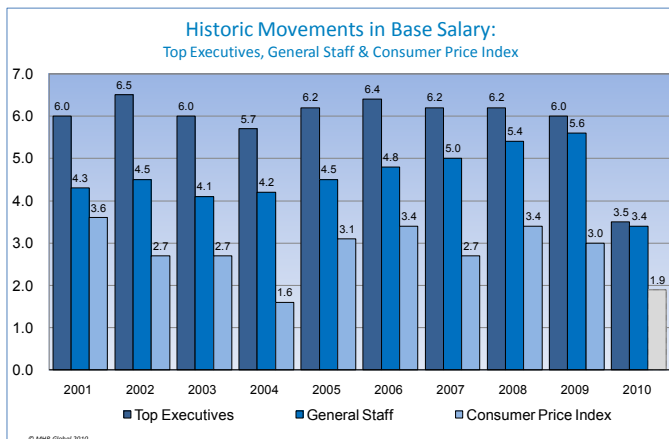


MAXIMISING VALUE FROM MARKET SURVEYS

According to the economic commentators New Zealand is slowly emerging from the effects of the global recession. Many employers are now facing the potential for increased demands for "catch-up" remuneration adjustments to compensate for the restraints of the immediate past. Making best use of market remuneration surveys will be a key to successful adjustment to the new environment.

Over the past twelve months a strategy adopted by many employers has been to impose partial or full pay freezes as a means of containing costs during a period of severe financial difficulty. As shown in the accompanying chart, even where freezes have not been applied, the level of increases has frequently been lower than that seen in the last four to five years.



Commentators are largely agreed that the imposition of any pay freeze in the past twelve months is likely to simply defer a problem. Inevitably employees and their representatives will demand a share in improved economic conditions and will expect “catch up” adjustments.

This article provides guidance in what to look for in choosing and using remuneration surveys to guide employers in responding to such demands.

Know your survey types

Traditionally there have been two main types of commercial surveys:

- Position description (or benchmark) surveys

- These use generic job descriptions to compare “like with like” positions

- Job evaluation-based surveys

- These match jobs based on evaluation “scores” from a common job evaluation system used by all participants

Traditional remuneration management wisdom is that if an employer chooses a specific survey as the primary tool for external market comparisons, a second survey should be used as a back-up, to provide a means of validation. In my view that traditional stance remains as true today – post the recession – as it was prior to it.

With the growth of web-based recruitment services however a further option is now widely available, and must be considered: that is, the increase in online databases which source data from the recruitment services offered.

While there is no doubt that such services are attractive – and often free – do they really offer accurate data which employers can use with confidence?

The jury is still out on that. Bear in mind however that the commercial subscription surveys base their market analysis on the levels of remuneration *actually paid to individual staff at a specific date*, rather than on the rates – or, more typically, the ranges – offered during a recruitment process; the latter may or may not reflect the level at which appointment is ultimately made.

These (relatively) recent arrivals are now clearly established as part of the survey market. If you use one however, a second source of data from a commercial survey may also be beneficial, as a means of confirming accuracy.

Understanding your survey catchment

Despite the claims of survey vendors no single remuneration survey can accurately reflect the total market. For a start, there is no single market – rather there is a whole raft of different markets each reflecting different needs of the organisations within that segment.

And just as the quality and volume of water in a river system reflects the catchment it is gathered from – and the way in which it is gathered – a remuneration survey



reflects the catchment from which its data is gathered, and the processes used to gather that data.

To put it simply, a survey which collects data primarily from the local branches of international companies, or one which focuses primarily on a specific sector, may be ideal if your organisation is in that particular group, but is of little use if your organisation is a small local manufacturer. To take the river metaphor one step further, if you are not swimming in a particular river, then the quality of its water is largely irrelevant to you.

So, before committing to a particular survey, ensure you understand the catchment from which data is drawn. If you are recruiting largely in the local general market, one of the general surveys is likely to be a better bet than an apparently larger survey which is primarily focused on a specific sector or a narrow range of organisation types.

One Survey or two?

Experienced remuneration managers will know that as each survey will draw data from different organisations, using data from two complementary surveys is likely to provide a more accurate picture of market rates than any single survey.

Unfortunately the purchase of a survey subscription has often been viewed as discretionary expenditure; where costs are being cut, expenditure on that second survey may have been a victim.

Some survey providers may also suggest that their own survey is the only one you now need, as it is "better" than all the rest. After over 20 years in the industry I assure you that such claims amount to little more than marketing hype, or self interest; the traditional stance of using two surveys as a means of validating market data clearly remains best practice.

Remember, the annual cost of a second survey subscription is almost certainly lower than the additional cost of overstating even one management salary, or a group of general employee salaries.

The centralising tendency of industry surveys

One risk often not recognised by survey users is the possibility that over time reliance on a single survey throughout a specific industry may have a centralising

tendency, almost inevitably drawing remuneration levels closer together.

Initially a new sector survey is likely to show the same divergence of rates as that seen in more general surveys. Unfortunately the majority of employers prefer to pitch remuneration at or about the market Median – after all, what employer is going to proudly state that *"we are a Lower Quartile payer"*?

Over time this focus on the Median rates means that the extreme levels of payment will move closer to the Median.

Is this loss of diversity desirable? Not in my view, as it will constrain movement of employees between employers, and the cross fertilisation of ideas that movement facilitates.

Again, if you are going to use a survey specific to your industry, back it up with a general survey to ensure your decisions also take account of non-industry rates.

Focus on Industry

Many employers prefer to adopt a remuneration policy based solely on the rates paid within their own industry.

This makes sense if you are recruiting for specialist positions, where industry experience is required.

But before adopting such a policy for all roles ask yourself one question: *"Do we exclusively recruit all staff – including Management and Support staff – from within the industry?"*

For most employers the answer will be "No". Why then limit your options by drawing remuneration data from within your own industry only?

Consider supplementing your industry data with more general data from a General survey.

Conclusions

Using a remuneration survey properly should allow you to make better informed decisions about the levels of remuneration you need to recruit and retain staff.

Make sure however you retain control of the process, learn to look behind the marketing hype of the vendors



and identify those surveys which best meet *your* needs – rather than the interests of the vendors. In most cases, sourcing data from more than one survey will enable you to maintain better control of your remuneration programmes.

And after all, it is your organisation which has to live with the consequences of your decisions, and not the survey vendors themselves.

Kevin McBride is the Managing Director of **MHR Global Ltd**, a specialist Remuneration Management consultancy in New Zealand and United Kingdom.

MHR Global Ltd

United Kingdom & Europe

Suite 234
8 Camp Road
North Camp
Hampshire, GU14 6EW
Tel: +44 20 8816 7871
Email: UKInfo@mhr-global.com
Web: www.mhr-global.co.uk

New Zealand:

PO Box 11 900
150 - 154 Willis Street
Wellington 6142
New Zealand
Tel: +64 4 384 5830
Email: Info@mhr-global.com
Web: www.mhr-global.com