

Five Considerations When Choosing the Source of your Compensation Market Data

Independent compensation market data provides a source for examining pay levels and pay mix to evaluate the competitiveness of firm compensation packages. As the trend of prohibiting firms from asking candidates for their salary history continues to rise, using trusted third party data to ensure competitive pay programs is critically important.

However, the marketplace for data is becoming more congested with the availability of crowdsourced data alongside the traditional compensation survey providers. Below are five questions to ask yourself when considering where to source market data for your firm's reward strategies.

1. Are the appropriate quality controls in place?

It is critical to find a data source that you can trust, meaning that quality controls are in place to ensure you are receiving a fair representation of the market for comparison. Crowdsourced databases don't provide that assurance. It is challenging to validate what people say they are getting paid, which means that your analyses are subject to potential inaccuracies. It is important that all market data is validated with firm HR systems.

2. Will you get like-for-like job role comparisons?

If you ask ten people what they do, there will likely be ten different representations, driven by self-perception and firm differences for seemingly like-for-like roles. For instance, when people describe their seniority, personal perspective may cloud reality, leading to the potential for false comparisons. Another example is if you ask a finance manager at two different firms what their role entails, you will likely hear varying levels of responsibilities.

The best data providers normalize these discrepancies, look across various organizations, and develop well thought-out systems to ensure that they are making consistent comparisons. The provider that you work with should additionally understand your industry and how jobs are structured so that they can provide you with data and fact-based advice in the appropriate context for your firm. Sector, geographical, and reward data expertise are all important.

3. Will the provider be a partner to you?

Implementing competitive reward strategies is more than just gathering figures and stats. You will get the most value out of market data if your provider can be a true partner to you. They should understand your firm, your industry, what jobs are hot or not, current regulatory implications, and by using the insights gleaned, help guide you in taking necessary actions to match your firm's strategy.

4. Is your data safe?

Your firm takes great lengths to ensure employee data is kept safe and confidential. Your data provider should take the same care with your data. Safeguarding a company's private information with the right firewalls and protection is a must. Before sharing pay scales, be sure to invest in a provider that invests in your security. The General Data Protection Regulation (GDPR), a regulation by which the European Parliament, the Council of the European Union, and the European Commission intends to strengthen and unify data protection for all individuals within the European Union (EU), only furthers the necessity of choosing a data source that will honor these regulations. GDPR applies to all companies processing and holding the personal data of subjects residing in the European Union, regardless of the company's location.

5. Will your partner help you manage risk?

Making the wrong compensation decision can be costly. Internal equity is at stake if your firm offers to pay a candidate with the right skill sets a salary that is outside the norm. Making decisions based on data helps maintain your firm's internal equity, while confirming external competitiveness. Knowledge is power and in an environment where clients can no longer inquire about candidate pay history, dependable data providers conveniently offer objective, fact-based market advice.

Well thought-out reward policies are always backed by reliable data and the ability to generate a series of informed decisions around it. Investing in the best market data provides real returns that are indispensable for the future success of your firm.

To learn more about using market compensation data to benchmark your reward strategies, please [contact our team](#).

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