Using the *Manufacturing Compensation & Benefits Survey*© To Make Pay Decisions

A workshop sponsored by the Manufacturers Alliance and Minnesota Precision Manufacturing Association

May 8, 2018

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Today's Session

Overall Session Objective:

Provide an introductory – or a refresher – learning opportunity on understanding, interpreting and applying survey results to better manage compensation in your organization.

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Today's Session

Our Game Plan

- ✓ Using survey data to manage pay
- ✓ Quality is important in survey data
- ✓ Painless primer on survey statistics
- ✓ Analyzing and applying survey data
- ✓ Fitting survey data to your reality
- ✓ The Participant Profile Report
- ✓ Bonus: Salary structure fundamentals
- ✓ Bonus: Employee retention
- ✓ Q&A

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Purposes and Uses of Survey Data

Survey data can help:

- Determine appropriate pay for employees
- Establish new structures and guidelines
- Assess current structures and guidelines

Survey data does not:

- Provide "scientific" and indisputable answers
- Absolve you from the need for judgment and considering situational factors
- Design your pay program for you

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

The Importance of Survey Quality in the Age of the Internet

Survey Quality Criteria

1. Not self reported; pay information submitted by **independent**, **verifiable** source

2. Based on **job descriptions**, not titles alone

3. Identifies **participating companies**

4. Identifies the **number** of companies and employees in each piece of data

5. Provides the "**effective date**" of the pay data

6. Provides appropriately "**scoped**" data (geography, size, industry, etc.)

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Survey Statistics

Understanding the middle-of-the-market ("going rate")

Average: The mean, simple or co. weighted average. What the average company pays.

Weighted Average: The employee weighted average. What the average employee earns.

Median: The 50th Percentile. The "middle" pay rate.

Survey Statistics

Understanding the "middle of the market"

Company	# of Employees	Avg Rate Paid	Employees X Avg Rate Paid
1	10	10.00	100.00
2	15	11.00	165.00
3	4	11.50	46.00
4	8	12.00	96.00
5	2	18.00	36.00
Totals	39	$62.50	$443.00

Average: $62.50 / 5 = $12.50

Weighted Average: $443 / 39 = $11.35

Median (50th): (middle ranked value) = $11.50

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Survey Statistics

Understanding the variety and range of rates paid

Pay Rank (lowest to highest)	Rate Paid
1	15.50
2	15.83
3	15.99	← 25th Percentile (1/4 of rates are less)
4	16.05
5	16.19
6	16.25
7	16.38
8	16.80
9	16.98	← 75th Percentile (3/4 of rates are less)
10	17.32
11	17.84

← 25th Percentile (1/4 of rates are less)

← 75th Percentile (3/4 of rates are less)

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Survey Statistics

Average or Median?

When **Bill Gates** enters a Starbucks, the **average** customer in the shop becomes a millionaire.   The **median** customer does not.

Averages are directly impacted by outliers, while **medians** are the middle figure regardless of outliers.

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer

Survey Statistics

Actual pay versus intent to pay

- Actual Pay: Actual pay average, median and percentiles
- Intent to Pay: Average pay ranges

Data by Industry	Number of: Firms	EEs	Base Salary ($ per year) 25th Percentile	Average	Weighted Average	Median	75th Percentile	Bonus Paid ($ per year) Number of: Firms	EEs	Wtd. Avg. Paid	Pay Range ($ per year) Average Minimum	Average Midpoint	Average Maximum
Metal Fab & Products	31	120	63,551	69,757	70,634	68,590	76,709	12	45	1,652	59,313	76,500	93,683
OEM Fab & Capital Equipment	10	47	64,293	71,439	70,865	70,635	77,219	7	32	3,040	53,732	68,563	84,554

Manufacturers Alliance
Sharing Education & Resources Peer-to-Peer