

Using the 2021 Compensation & Benefits Survey to Make Pay Plans and Decisions

May 25, 2021

Today's Session

Part 1:

Understanding, interpreting and using the survey results to better manage compensation in your organization.

Part 2:

- Conducting a Market Analysis
- Geography and Paying Remote Workers

Part 1 Game Plan

- ✓ What is survey data used for?
- ✓ Survey statistics
- ✓ Putting survey data to use
- ✓ Fitting survey data to your reality
- ✓ The Participant Profile Report
- ✓ Q&A



What is Survey Data Used For?

- Spot checks
- Market analysis
- New wage scale/salary structure
- Update wage scale/salary structure



Survey Statistics

Let's begin by understanding the middle!
(the "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

More about the middle...

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

Survey Statistics

Getting a glimpse of the bigger picture...

Pay Rank (lowest to highest)	Rate Paid
1	15.50
2	15.83
3	15.99
4	16.05
5	16.19
6	16.25
7	16.38
8	16.80
9	16.98
10	17.32
11	17.84

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

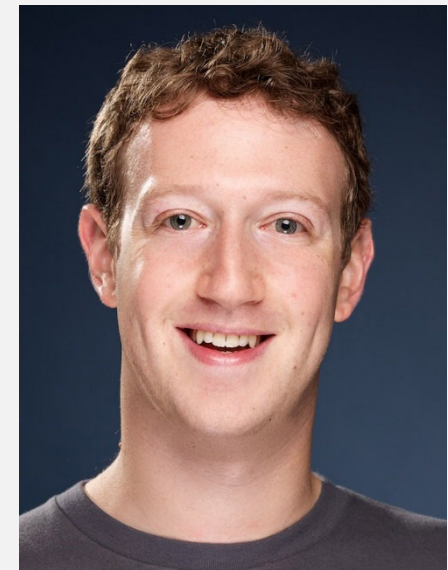
← 75th Percentile (3/4 of rates are less)

Survey Statistics

Average or Median?

When **Mark Zuckerberg** enters a Starbucks, the **average** customer in the shop becomes a billionaire. The **median** customer does not.

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



Putting Survey Data to Use

Shipping / Receiving Clerk

Job Code: 194

Receives all incoming materials and prepares products and other materials for shipment using freight bills. May operate a forklift. Writes up or checks necessary paperwork in connection with shipments to ensure proper shipment. May check incoming packages for damage and count.

Requires a high school diploma or equivalent plus six to twelve months experience.

Data by Industry	Number of:		***** Base Wage (\$ per hour) *****					** Bonus Paid (\$ per year) **			**** Pay Range (\$ per hour) ****		
	Firms	EEs	25th Percentile	Average	Weighted Average	Median	75th Percentile	Firms	EEs	Wtd. Avg. Paid	Average Minimum	Average Midpoint	Average Maximum
<i>Printing, Publishing & Allied</i>	5	23	*	20.12	19.98	20.29	*	3	11	*	*	*	*
<i>Rubber & Plastic Products</i>	17	49	17.75	19.01	18.83	19.31	20.39	9	23	1,757	15.50	18.42	21.34
<i>Primary Metal Industries</i>	6	14	17.52	21.42	22.12	21.71	24.86	5	9	2,489	*	*	*
<i>Fabricated Metal Products</i>	35	128	18.45	20.87	20.33	20.50	23.40	18	48	2,274	17.47	20.11	23.82
<i>Industrial Machinery Computer Equip</i>	21	83	17.41	19.40	18.76	19.00	21.04	7	41	1,911	16.15	19.45	22.96
<i>Electronic & Other Electrical</i>	14	181	17.40	19.40	20.11	19.43	21.34	10	47	2,321	16.31	19.95	23.59
<i>Measur, Anal & Control Instruments</i>	6	14	18.54	21.10	19.63	20.45	23.13	4	12	*	*	*	*
<i>Misc Manufacturing Industries</i>	10	106	17.50	19.79	18.31	19.25	22.32	7	53	824	*	*	*
Data by Number of Company Employees													
<i>Less than 50</i>	26	39	18.68	20.49	20.12	20.44	22.00	15	20	1,887	*	*	*
<i>50 to 99</i>	32	79	17.25	19.19	19.22	18.75	20.35	21	45	2,189	15.74	18.75	22.22
<i>100 to 199</i>	27	93	18.63	20.74	20.13	20.68	23.32	10	32	1,589	17.26	20.77	24.58
<i>200 to 499</i>	33	233	18.33	20.02	18.97	19.84	20.68	20	114	1,470	16.88	19.58	22.95
<i>500 or More</i>	14	244	17.73	19.48	20.13	19.22	20.27	5	67	1,565	17.03	20.11	24.41
Data by Company Revenue													
<i>Under \$9.9 Million</i>	24	40	17.60	19.93	19.39	19.00	21.75	13	15	1,414	*	*	*
<i>\$10 to \$19.9 Million</i>	26	143	17.23	19.73	18.52	19.66	21.87	14	75	877	16.05	19.22	22.40
<i>\$20 to \$39.9 Million</i>	32	87	18.07	19.76	19.66	19.48	21.47	17	43	2,919	16.30	19.80	23.59
<i>\$40 to \$99.9 Million</i>	23	101	18.62	20.78	19.90	20.46	21.30	15	43	1,982	18.08	20.66	24.05
<i>Over \$100 Million</i>	26	315	18.34	19.92	20.07	19.45	20.63	11	101	1,598	16.66	20.01	23.97
Data by Area													
<i>Within 20 Miles of Minneapolis</i>	75	294	18.53	20.32	19.82	20.16	21.83	41	139	1,907	17.10	20.21	23.82
<i>20 to 45 Miles from Minneapolis</i>	30	276	18.28	20.12	19.79	19.46	21.08	16	81	919	16.80	19.43	23.04
<i>45 to 70 Miles from Minneapolis</i>	11	29	17.34	18.06	18.21	17.88	18.63	6	21	1,692	*	*	*
<i>More than 70 Miles from Minneapolis</i>	16	89	17.78	19.58	18.99	19.01	20.69	8	37	2,286	17.28	20.63	24.15
All Reporting Companies													
<i>Previous Year (2020)</i>	123	604	17.88	19.51	19.96	19.25	20.85	65	249	1,705	16.45	19.56	22.77
2021	132	688	18.08	20.00	19.63	19.57	21.24	71	278	1,653	16.82	19.89	23.54

Putting Survey Data to Use

Shipping/Receiving Clerk (P. 124)

- What is the **average** hourly base rate for the **Rubber & Plastic Products** industry?
- What is the **median** rate paid for companies **with less than 50 employees**?
- Do **larger companies** appear to pay more or less than **small companies** for this position? Does pay **differ by geography**?
- Overall, how many of the "Shipping/Receiving Clerk" **employees** reported in **2021 received a bonus award**? Is that more or less than half? How many **companies provided a bonus award** to this position? Is that more or less than half?
- If your company is in the Primary Metal industry and located 90 miles from Minneapolis, **what pay rate should you use?** What things should you consider in answering that question?

Analyzing & Applying Survey Data

Aging survey data practice exercise

- Survey Going Rate \$_____
- # of Months to Age Survey Data _____
- Annual Rate of Increase _____%
- Total Aging Factor
(Months/12 X Rate of Increase) _____%
- Estimated Current Going Rate
(Survey Going Rate X (Total Aging Factor + 1))
\$_____

Analyzing & Applying Survey Data

Aging survey data practice exercise

- Survey Market Pay Rate \$50,000
- # of Months to Age Survey Data 6
- Annual Rate of Increase 3.0 %
- Total Aging Factor
(Months/12 X Rate of Increase) 1.5 %
- Estimated Current Market Pay Rate

(Survey Going Rate X (Total Aging Factor + 1))
(\$50,000 X (0.015 + 1)) = \$50,750

Analyzing & Applying Survey Data

Sometimes it Pays to Have a Strategy

Sample Labor Market Matrix

Job Level	Administration	Operations	Sales/Marketing
Executive	- General Industry - \$40 - \$100 M Revenue - National	- Manufacturing Industry - \$40 - \$100 M Revenue - National	- Manufacturing Industry - \$40 - \$100 M Revenue - National
Supervisory/ Management	- General Industry - > \$40 M Revenue - Regional	- Manufacturing Industry - >\$40 M Revenue - Regional	- Manufacturing Industry - >\$40 M Revenue - Regional
Professional/ Technical	- General Industry - All Sizes - Regional	- Manufacturing Industry - All Sizes - Regional	- Manufacturing Industry - All Sizes - Regional
Clerical/ Production	- General Industry - All Sizes - Local	- Manufacturing Industry - All Sizes - Local	- Manufacturing Industry - All Sizes - Local

Fitting Survey Data to Your Reality

Are other companies and their jobs exactly like yours?



Probably not!

This can make survey job matching a challenge!

Fitting Survey Data to Your Reality

Does the survey description fit your job and its responsibilities?



The 70% Rule

As a **general rule of thumb**, we consider a valid “match” to be one where **70% or more** of the survey job content is similar to the content of your company’s job

Fitting Survey Data to Your Reality

What if your company's job is a little broader or narrower in scope?

- Your Machine Operator position is responsible for the quality of their work to a degree that is unique among similar jobs at other companies.



Adjustment factors

Large differences: add or subtract ~10%

Small differences: add or subtract ~5%

Fitting Survey Data to Your Reality

Hybrid Jobs

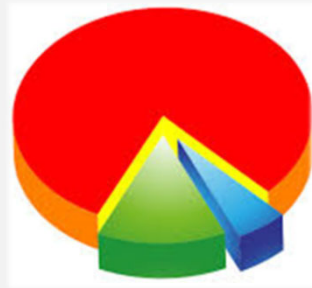
Positions with a combination of responsibilities that are typically stand-alone jobs in other companies.



Fitting Survey Data to Your Reality

Strategies for Market Pricing Hybrid Jobs

The Proportional Split



Set Pay Rate at Highest Value Skill

Pay Highest Value Skill + Premium



Participant Profile Report

Using the Participant Profile Report

- Compares company pay to average pay of industry & geographic competitors
- Helps answer the question “Are we paying competitively?” **at a glance**
- A **good start** to a full understanding

2021 Manufacturing Compensation & Benefits Survey

Participant Profile Report

Engineering - Management

----- Same Industry -----

***** Fabricated Metal Products *****

----- Same Area -----

***** 20 to 45 Miles from Minneapolis *****

<u>Survey Title</u>	<u>YOUR Job Title</u>	Variance				Variance			
		<u>Survey</u>	<u>YOUR CO</u>	<u>\$</u>	<u>%</u>	<u>Survey</u>	<u>YOUR CO</u>	<u>\$</u>	<u>%</u>
Project Manager	Project Manager	84,867	82,133	-2,733	-3.3%	74,800	82,133	7,333	8.9%

Questions?



Part 2 Game Plan

- ✓ Topic 1: Conducting a Market Analysis
- ✓ Topic 2: Geography and Paying Remote Workers
- ✓ Q&A



Putting Survey Data to Work: Conducting a Market Analysis

Base Salary Review

Dept	Job Title	Current Salary	Market Median Salary	Our Salary as % of Market
Finance	Controller	\$122,152	\$125,090	98%
Engineering	Manager Engineering	\$110,000	\$117,000	94%
Maintenance	Maintenance Manager	\$87,603	\$75,100	117%
HR	HR Manager	\$93,204	\$97,000	96%
Engineering	Mfg Engineer	\$65,188	\$76,500	85%
Manufacturing	Mfg Supervisor	\$71,950	\$69,000	104%
HR	HR Generalist	\$61,819	\$57,000	108%
Maintenance	Maintenance Techn	\$42,000	\$48,200	87%
Finance	Accts Payable Clerk	\$50,627	\$53,600	94%
Cust Service	Cust Service Rep	\$42,900	\$43,800	98%
Overall Average				98%

Putting Survey Data to Work: Conducting a Market Analysis

Salary Structure Review

Dept	Job Title	Current Range Midpoint	Market Median Salary	Our Midpoint as % of Market
Finance	Controller	\$121,500	\$125,090	97%
Engineering	Manager Engineering	\$110,220	\$117,000	94%
Maintenance	Maintenance Manager	\$92,590	\$75,100	123%
HR	HR Manager	\$92,590	\$97,000	95%
Engineering	Mfg Engineer	\$81,953	\$76,500	107%
Manufacturing	Mfg Supervisor	\$72,525	\$69,000	105%
HR	HR Generalist	\$56,811	\$57,000	100%
Maintenance	Maintenance Techn	\$50,525	\$48,200	105%
Finance	Accts Payable Clerk	\$50,525	\$53,600	94%
Cust Service	Cust Service Rep	\$41,823	\$43,800	95%
			Overall Average	102%

Putting Survey Data to Work: Conducting a Market Analysis

Total Cash Compensation Review

Dept	Job Title	Current Salary	Annual Bonus	Our Total Cash (Sal + Bonus)	Market Total Cash Comp*	Our Total Cash as % of Market
Finance	Controller	\$122,152	\$18,323	\$140,475	\$147,090	96%
Engineering	Manager Engineering	\$110,000	\$11,000	\$121,000	\$126,500	96%
Maintenance	Maintenance Manager	\$87,603	\$8,760	\$96,363	\$81,500	118%
HR	HR Manager	\$93,204	\$9,320	\$102,524	\$103,200	99%
Engineering	Mfg Engineer	\$65,188	\$5,215	\$70,403	\$82,000	86%
Manufacturing	Mfg Supervisor	\$71,950	\$5,756	\$77,706	\$75,000	104%
HR	HR Generalist	\$61,819	\$4,946	\$66,765	\$58,900	113%
Maintenance	Maintenance Techn	\$42,000	\$3,360	\$45,360	\$49,100	92%
Finance	Accts Payable Clerk	\$50,627	\$2,531	\$53,158	\$54,600	97%
Cust Service	Cust Service Rep	\$42,900	\$2,145	\$45,045	\$44,690	101%
					Overall Average	100%

*Calculating market total cash compensation from Manufacturers Alliance survey:
Median Base Salary + ((#Ees receiving bonus/Total #Ees) * Weighted Average Bonus)

Putting Survey Data to Work: Conducting a Market Analysis

Director, Supply Chain

Job Code: 411

Provides leadership and direction to accelerate firm's growth through strategic supply chain practices. Typically serves as a member of the executive leadership team providing supply chain vision in alignment with business objectives. Representative job duties include: Ensuring supply chain strategy, practices and initiatives are aligned with the company's business objectives; developing and leading organization-wide processes; identifying and implementing best in class technology and infrastructure suitable to the scope and size of the business.

Requires Bachelor's degree in Business Administration, Supply Chain Management or related field, or an equivalent combination of education and related business experience, and 10+ years of experience in supply chain management, and 3 - 5 years of management experience. Report to Top Operations Executive or CEO.

Data by Industry	Number of:		***** Base Salary (\$ per year) *****					** Bonus Paid (\$ per year) **			**** Pay Range (\$ per year) ****		
	Firms	EES	25th Percentile	Weighted Average	Median	75th Percentile	Firms	EES	Wtd. Avg. Paid	Average Minimum	Average Midpoint	Average Maximum	
Fabricated Metal Products	7	8	109,798	124,231	125,283	125,580	132,645	2	2	*	101,703	122,312	146,170
Misc Manufacturing Industries	5	6	*	120,670	118,085	105,163	*	4	4	*	*	*	*
Data by Number of Company Employees													
200 to 499	14	15	120,448	136,368	136,120	127,528	167,399	9	9	24,085	109,926	136,899	165,493
Data by Company Revenue													
\$10 to \$19.9 Million	5	6	*	113,077	110,264	98,592	*	4	4	*	*	*	*
\$20 to \$39.9 Million	5	5	*	141,174	141,174	135,000	*	2	2	*	*	*	*
\$40 to \$99.9 Million	7	9	109,798	120,540	120,176	120,598	130,000	3	3	*	93,187	114,809	141,807
Over \$100 Million	10	10	123,594	147,700	147,700	148,368	175,000	7	7	18,542	118,511	152,009	185,505
Data by Area													
Within 20 Miles of Minneapolis	18	20	104,622	129,446	126,570	121,299	142,500	11	11	55,147	100,426	128,363	159,458
20 to 45 Miles from Minneapolis	6	7	130,748	144,380	142,703	137,992	162,149	3	3	*	109,086	133,275	157,314
All Reporting Companies													
Previous Year (2020)	26	26	109,330	130,881	130,881	129,282	142,504	13	13	52,097	100,916	127,881	154,828
2021	27	30	106,000	133,038	130,868	125,580	158,000	16	16	47,860	107,438	135,857	165,928

Median Base Salary + ((#Ees receiving bonus/Total #Ees) * Weighted Average Bonus)
 $\$125,580 + ((16/30) * \$47,860) = \$151,105$

Geography and Paying Remote Workers

The State of Play for Remote Work



79%

MN, WI and SD manufacturers decided to allow remote work for non-production employees in past 12 months

44%

MN, WI and SD manufacturers said they will implement remote work to a greater scale post-pandemic than pre-pandemic

Source: Manufacturers Alliance 2021 Manufacturing Workforce Trends Survey

Geography and Paying Remote Workers

The State of Play for Remote Work



47%

U.S. manufacturers say they will plan to return >75% of their remote workforce to an office setting once the pandemic is over

Source: Aon December 2020 survey on remote work

Geography and Paying Remote Workers

A Door of Opportunity That Swings Both Ways
and Opens Up New Questions About Pay



Geography and Paying Remote Workers

Cost of Labor, not Cost of Living

Compensation should be based on the cost of labor, not the cost of living.

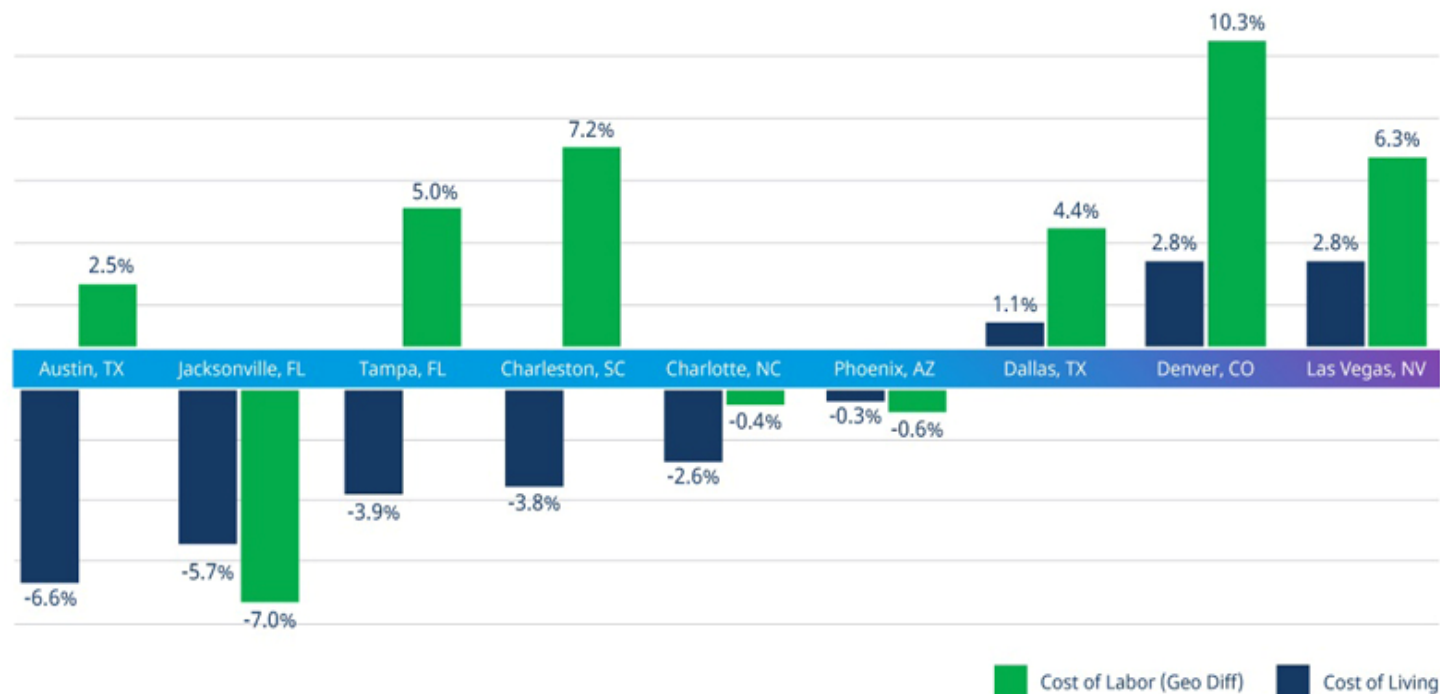
Cost of labor reflects what a particular geographic market offers – the “going rate” – for specific work.

Cost of living reflects the cost of goods utilized by a typical consumer, including housing, groceries, transportation, etc.

Geography and Paying Remote Workers

Cost of Labor, not Cost of Living

Cost of Labor and Cost of Living vs. National Average



Source: Mercer 2021 chart on Cost of Labor vs Cost of Living for select cities

Geography and Paying Remote Workers

Have a Policy, Apply it Equally

Be careful about “winging it” and creating ad hoc, inconsistent solutions.

1. Must this job be performed in a specific location (e.g., with easy access to an office) or can it be performed virtually from any location?
2. If the job is virtual, will there be times the employees must be in a particular location or office? How often and who should bear the cost?
3. If a remote worker in this job left, from where would we want to hire their replacement? Close to an office? From any location?
4. If a new remote position opened, would we conduct a national search to find the best talent or would we limit our search to locations close to an office?

Geography and Paying Remote Workers

Have a Policy, Apply it Equally

Practices and expert recommendations vary widely

- Continue to pay by employee location, whether remote or in an office.
- Tie pay of remote workers to the geography of closest metro area.
- Use national pay rates for remote workers.
- Establish and apply a “remote geographic differential” that applies to remote workers not in a company-designated location (regardless of actual location).

Questions?

Altura Consulting Group LLC
ann@alturaconsultinggroup.com 763 745 9425
www.alturaconsultinggroup.com

There's still time to purchase
your copy of the
**2021 Manufacturing
Compensation & Benefits
Survey!**

Rewarding Work. Delivering Data. Creating Value.

Blogs:

Compensation Café

Serving up straight talk, original thinking and caffeinated conversation on everything compensation

www.compensationcafe.com

Compensation Force

Practical news, information, tips and musings about employee performance and compensation

www.compensationforce.com