Crowdsourced Compensation Data: Do We Trust It?

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Disruption is Status Quo
Jobs Are Changing and Emerging

- Culinary Product Developer
- Bioinformaticist
- Crypto Protocol Engineer
- Design Researcher
- Experimentation Platform Director
- Automotive Occupant Packaging Engineer
- Computer Vision Engineer
- Camera Algorithm Engineer

Crowdsourcing Is a Way of Life

- Angies list
- Amazon.com
- Waze
- TripAdvisor
- Netflix
- Facebook
- Rotten Tomatoes
- Wikipedia
- Yelp
Traditional Compensation Data Sources

- AON
- Culpepper
- Deloitte
- Mercer
- Pearl Meyer
- REI

Alternative Data

- Glassdoor
- Comparably
- LinkedIn
- PayScale
- Salary.com
Polling Question #1

When Would You Use Employee-Reported Data?

• As a data-point in an overall market assessment
• As a data-point in pricing one job
• Not at all

Click Here For Poll Results

Source: Salary.com 2017 Compensation Outlook Survey
“There’s no good price for bad data.”

- 73% felt crowdsourced compensation data were unreliable

BUT

- 57% used crowdsourced data for additional context
- 48% used to examine labor costs
- 43% used for industry or geographic context
- 71% believe it can provide a data supplement

Source: 2017 Willis Towers Watson Contingent Workforce and Crowdsourced Pay Data survey

Analyze This!

- Our knee-jerk reaction is to not trust compensation data from crowdsourced platforms. Why?
- Is the data better now than ever before?
- Why are we not adapting our compensation processes in the changing landscape of talent management as a whole?
- Do compensation data cuts matter?
Compensation Philosophy

Fundamental Elements
• Base pay
• Variable pay
• Equity
• Sales
• Executive

Approach
• Match the market
  • 90% target 50th percentile
• Lead the market
• Lag the market

Pay Transparency is Important

Source: Mercer 2017 Global Talent Trends Survey
Pay Transparency

- Pay Equity
- Historical salary data increasingly banned in hiring
  - Alabama, California, Mississippi, Washington
- Internal & External benchmarking
  - “Crowdsource” internally
  - Share data sources and methodology
  - Engagement surveys
  - Exit interviews
- Train managers
- “No good deed goes unpunished”

Extreme Pay Transparency

https://docs.google.com/spreadsheets/d/1l3bXAv8JE5RB9smQm36-Qngkgs2MT6yQ5gtgBYYhUyAg/edit#gid=2089488141
Employees Are In The Driver’s Seat

- Low unemployment
- Skill and labor shortage
- Increased focus on pay equity and diversity recruiting
- Job ads show salary estimates
  - Google dings postings without salary data for lower visibility

“Here’s what you should be paying me...”

Source: LinkedIn.com/salary
Polling Question #2

How often does your organization adjust its compensation structure using market data?

• Annually
• Every 1 – 2 years
• Every 3 – 5 years
• As needed, but usually greater than every 5 years
• Does not adjust

Click Here For Poll Results

How often does your organization adjust its compensation structure using market data?

“How often does your organization adjust its compensation structure using market data?”
(n=138)

Source: WorldatWork
Review and Pay Frequency

High-performing organizations are . . .

- Nearly 2.5X more likely to review base pay more frequently than annually and
- 2X more likely to pay out incentive plans more frequently than annually

. . . than are low-performing organizations.

Traditional Survey Data

**PROS**
- Proven methodology
- Safe harbor
- Trusted relationships
- Established data
- Run by compensation professionals
  - Strong story tellers
- Reliability
- Credibility
- Accuracy
- Defense from potential litigation

**CONS**
- Absence of emerging roles
- Time intensive
- Cumbersome
- HR reported data is sometimes aged from previous submissions
- Little has changed – lack of innovation
- Data lags market
- Lack of specificity
  - Tech and engineering

Crowdsourced Data

**PROS**
- Immediate
- Frequently updated
- Leads to pay transparency conversations
- Employees know their “worth”
- Good source of data for gig economy and contractors

**CONS**
- Lack of data for senior roles or hourly/minimum wage roles
- Employee-reported / unverified
- Job titles are meaningless
- Inherent bias
  - Participants self-select in
- Too many variables
- Sample sizes not robust
- “The more questions you ask, the less information you get”
- “Hotdecking” datasets
- Payroll data is not compensation data
- Lack of international data
Identifying Data Integrity Issues

- Data should be incumbent based, not based on averages
- Watch for mathematical violations
  - Percentile inconsistencies
  - Weighted averages vs. simple averages
- Review historical data
  - If 10% variance, question survey provider
- Sample size matters
  - 8 companies, 20 incumbents
- Data should be under 1 year old
  - Data over 2 years old should be cycled out

Crowdsourced Compensation Data Examples

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<th>Software Engineer - Dallas, TX</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
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<td>$88,988</td>
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</table>

Sample Size: 1,392, *8,393, 27, *
Inherent Bias & Intent

- Leadership Skills:
  - 70% = Above average
  - 2% = Below average

- Interpersonal skills:
  - 25% = Top 1%
  - 60% = Top 10%

- College Professors:
  - 94% = Above Average

- Engineers at 2 companies:
  - 32% = Top 5%
  - 42% = Top 5%

- “Happy Bias”
- Personal agendas
  - Salary increases
  - Counter-offers
    - 6 month moratorium on ROI
- “Not even my driver’s license can be trusted...”
Choosing & Using the Right Data

- Breadth of data
- Age of data
- Reliability
- Accuracy
- Credibility
- ADD CONTEXT

Consider a Data Rating Scale

- 1 – 20%
- 2 – 40%
- 3 – 60%
- 4 – 80%
- 5 – 100%

Critical Questions

- Is the job description a good match for the benchmark role?
- How expansive is the dataset?
- Are you capturing the correct and accurate data?
  - Salary, variable, TCC, equity
  - Geographic, hot skill differentials
- How current is the data?
- Is a participant list readily available?
- Can you track the data over time?
- Can the survey provider describe their methodology?
Key Take-Aways

• One size does not fit all
  • Job and data segmentation
  • Beware complexity
• Methodology matters
  • Can you defend your pay data and actions?
• Information vs. Insight
• Do not discount employees perspectives
• Educate, Educate, Educate
• Communicate, Communicate, Communicate

Questions?

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