



Compensation Benchmarking Checklist

Define Your Goals & Drive Competitive Pay

This Compensation Benchmarking Checklist is a valuable resource for HR professionals looking to make data-driven decisions about employee pay. By following this guide, you can align your compensation strategy with industry standards, ensure fair pay, and develop strategies to retain top talent.

Implementing the steps outlined below will help drive both employee satisfaction and business success and set you up for success for years to come.

Define Your Benchmarking Goals

- 1. Define Your Goals:** Clarify what your business wants to achieve by benchmarking employee compensation. Ask yourself these questions to gain further insight into your goals:
 - a. Are you focused on ensuring pay equity?
 - b. Do you want to improve employee retention?
 - c. Are you looking to enhance your compensation transparency?

OutSolve Tip: Defining your goals helps you determine which roles to benchmark, what salary surveys to use, and how to interpret the results.

- 2. Select Comparison Companies:** Determine which companies' compensation you want to analyze.
 - a. Should you benchmark against direct competitors?
 - b. Are you more interested in regional averages?
 - c. Do you want to compare against industry leaders?

OutSolve Tip: A tech startup might compare salaries with other startups, while a national retail chain may benchmark pay based on geographic location.

Gather Compensation Data

- 1. Research Tools:** Determine how you want to gather compensation data. There are many tools out there to help with this task such as:
 - a. Salary benchmarking tools
 - b. Government reports
 - c. Industry wage analysis
 - d. Salary surveys to gather insights



e. **Note:** Reliable data sources for gathering this data can include:

- i. Industry-specific salary surveys like those offered by Mercer, Radford, Payscale, or WTW.
- ii. Government resources, such as the Bureau of Labor Statistics or EEO-1 pay data.
- iii. Third-party compensation benchmarking tools that track real-time market shifts.

- 2. Select Your Tools:** Once you have researched all options, determine which tools you want to use to analyze compensation.

OutSolve Tip: Using multiple sources ensures you're making decisions based on accurate wage analysis, rather than outdated or incomplete data.

Conduct a Wage Analysis

- 1. Compare Your Current Compensation to Industry Trends:** Once you've gathered compensation data from sources like salary benchmarking tools and salary surveys, compare your pay ranges to the industry trends.
- a. Determine if you are paying employees above, below, or at the market rate.
 - b. Identify any wage gaps that are present.
 - c. Check for discrepancies across roles, locations, and experience levels.
- 2. Complete Annually:** Salaries shift with market trends and pay transparency laws continue to evolve, so conducting a wage analysis at least once a year helps ensure your compensation plan stays aligned with industry standards.
- 3. Stay Relevant:** Keep up with market data so you can make informed compensation decisions that support both your employees and your business goals.

Adjust Your Compensation Structure

- 1. Salaries Below Market Value:** Adjust employee salaries to reduce turnover and improve hiring.
- 2. Salaries Above Market Value:** Evaluate whether those pay levels align with business performance and employee retention goals.



- 3. Refine Total Rewards Strategies:** If you have budget constraints, compensation benchmarking can help HR teams refine total rewards strategies rather than increasing base salary. You can consider:
 - a. Adding performance-based bonuses.
 - b. Improving your benefits offering.
 - c. Offering equity options to employees.

Communicate Compensation Decisions Clearly

- 1. Communicate Changes to Employees:** Once you've adjusted your compensation plan, communicate it clearly to managers and employees. Transparency around salary benchmarking builds trust and helps employees understand how their pay is determined.
- 2. Train Managers:** Managers should be comfortable discussing pay ranges, market trends, and salary adjustments with employees. When employees know their salaries are based on accurate wage analysis, they are more likely to trust leadership and remain engaged.

Ready to Take Your Compensation Strategy to the Next Level?

Don't leave pay decisions to chance - stay competitive with data-driven compensation benchmarking. By aligning salaries with market trends, you can attract top talent, retain employees, and ensure pay equity across your organization.

Need expert guidance? OutSolve's Compensation Compliance Services provide the insights and tools to help you build a fair, strategic, and legally compliant pay structure.

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