Interpreting Salary Survey Reports: What do they mean for you?

General Information

Especially if you have not seen many (or any) salary reports before, understanding what they are reporting; and even more importantly: "What does it mean for me?" can be a daunting task. At its simplest form, a salary survey report applies to a particular position, which is defined by a position description. The company preparing the salary survey then goes out and collects remuneration information from hundreds of companies who employ such roles in their organisation.

Information collected usually includes base salary; benefits such as superannuation, cars, club memberships, school fee or mortgage payments etc and the applicable FBT (Fringe Benefits Tax); as well as whether the person in that role is eligible for a bonus, and how much their last bonus was. Information collected from hundreds of companies and maybe over a thousand individual position holders is then analysed statistically, and the results summarised in tabular form. Survey reports often separately analyse base salary, the salary package (including benefits) and bonuses, and provide statistics on each remuneration component.

Of course, not all the individuals in that sample will be paid the same – even if a company has several similar roles, they will probably still not be paid exactly the same. Variations in how much individuals in a similar job might be paid will also occur because:

- some industries generally pay more than others
- larger companies typically pay more than very small companies
- some individuals may perform better or achieve more than others
- salary rates also vary by State – NSW and Victoria usually pay more for the same job than South Australia or Tasmania, because the cost of living may be higher as well as supply and demand for such roles being different around the country.

Because of these factors which cause salary levels to vary, a large sample size is really important. Although it is useful to provide statistics based on the whole sample gathered from employers around the country; it is also very useful to be able to report trends in base salary and benefits from different regions; or by company size or industry group. Small sample sizes (anything less than 100) may be able to give a snapshot of the salary trends across the sample as a whole, but when you try to analyse the information by State, the numbers in the sample from one or two of the smaller States/Territories may be too small to be meaningful. Larger sample sizes (anything over 500) are preferred, as they are more reliable, are less prone to be unduly influenced by a few very high or very low paying companies; and there is plenty of data to compare by region or company size, and still have large numbers in the various sub-samples.

Nearly all of the sample sizes in the Argent Group database are over 500, with many being close to 1000. Accordingly, the data is very reliable, and can be effectively used to analyse salary trends by State as well as company size. We also understand that tables full of numbers can cause some people's eyes to 'glaze over'; so in our reports we have also included some straightforward charts for those people who would rather see their information in a picture

format. Having both is probably ideal, and is something you don't see in ordinary salary surveys.

The rest of this article defines what the statistical terms mean, discusses some of the finer points to aid interpretation, and then gives guidance on how you can relate the survey outcomes and information to your own personal circumstances.

Statistical Terms and Definitions

The statistics used to describe the distribution of salaries across a sample of individuals are called the interquartile ranges. Basically, the sample is sorted from highset salary to lowest salary, and divided in quarters.

The **Q1 or lower quartile** is the salary amount where 25% of the sample is below and 75% is above – that is the lowest 25%. Mostly organisations that pay at this level would be small businesses that may be struggling to make a profit or expand, or charitable or other not-for-profit organisations. For very senior positions, government pay rates are often close to Q1 across industry generally.

The **median** is where 50% of the sample is below and 50% is above. Think of the median as the middle-of-the-road level, or the 'middle of the market'. The median is the most common point for organisations to benchmark their salaries to. For entry level positions, most State governments pay around the median; and government business organisations such as those in the energy sector and major sea ports benchmark even their senior jobs to the median.

The **Q3 or upper quartile** is a highly competitive pay position, equal to the top 25% of the market. That is, 75% of companies pay below the Q3, and 25% are paying above. Higher paying industries such as the finance sector or resources sector typically pay around Q3 compared to industry more broadly. A Q3 comparison might also be paid to an individual who has been in the job for many years and who is considered to be an exceptional performer.

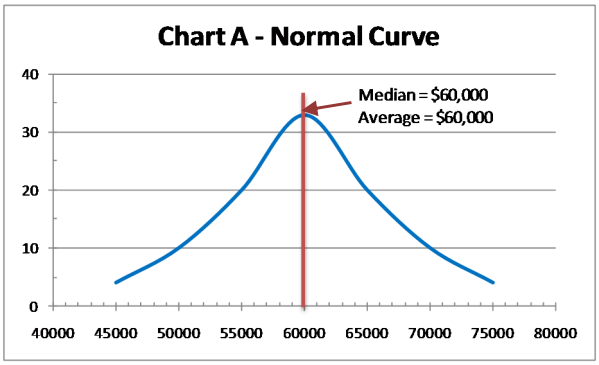
The **average or mean** is calculated by adding all the values together, then dividing by the number in the sample. Often the number in the sample is shown as **N** or **n.** The average is probably the most well known statistic to most people, but is not often used for remuneration benchmarking purposes, because it is easily influenced by either a few very high or very low values. The reasons for this are explained in the next section.

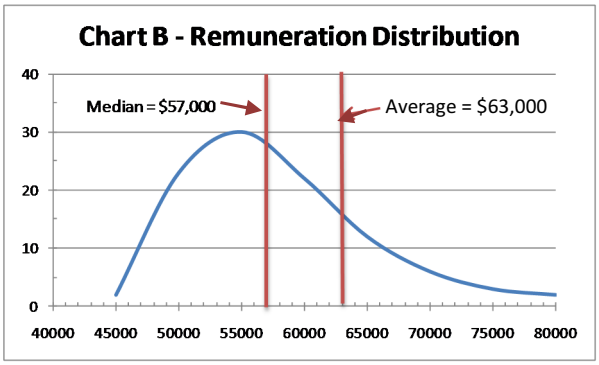
Median or Average?

As has been mentioned, many companies seek to benchmark their remuneration around the middle of the market, and the **median**, rather than the average, is the best indicator of this. Why is this so? The answer lies in the shape of most remuneration distributions, irrespective of the job being surveyed. Charts A and B, over the page illustrate this point quite well.

Chart A shows a symmetrical shape called the normal curve, and in this case, the median is the same value as the average. On the other hand, most remuneration distributions look like Chart B – there are a few very high values, but most of the values cluster in the lower end. In such cases, the average is a few thousand dollars higher than the median, and is clearly higher than the "middle of the market".

If the average is much lower than the median, it means that there are a few very low values in the sample – either way; the median is a more stable statistic to use for salary benchmarking purposes.





How can I tell where I should be paid?

In any sample of individuals' remuneration data, some will always be at the high end and some will always be at the lower end. Q1 will always be less than the median, and Q3 will always be higher than the median. However, an individual paid at Q1 does not necessarily mean that they are under paid; and conversely a pay level higher then Q3 does not necessarily mean the person is over paid.

A remuneration positioning between Q1 and the median would be applicable if one or more of the following apply:

- Less than 18 months in the job
- Satisfactory performance reviews
- Work for a not-for-profit or semi-government organisation
- Work for lower paying industry sectors such as logistics, retail, local government, state/territory governments and research and education institutions
- Your responsibilities match most but not all of the accountabilities described in the salary survey position description for your job.

A remuneration positioning between the median and Q3 would be reasonable if one or more of the following apply:

- More than 3 years in the role
- Higher performance ratings such as "exceeds"; "superior" or "outstanding"
- Work in higher paying industry sectors such as the construction, resources, mining, energy, finance or pharmaceutical sectors
- Your responsibilities match all and exceed some of the accountabilities as described in the salary survey position description for your job.