Acknowledgments

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WorldatWork, formerly the American Compensation Association and the Canadian Compensation Association, is the world's leading not-for-profit professional association dedicated to knowledge leadership in compensation, benefits and total rewards. Founded in 1955, WorldatWork focuses on disciplines associated with attracting, retaining and motivating employees. In addition to providing professional affiliation, WorldatWork offers highly acclaimed certification (CCP® , CBP® and GRP® ) and education programs, the monthly Workspan® magazine, online information resources, surveys, publications, conferences, research and networking opportunities.

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978-157963-298-4 (E-book)

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Market Pricing: Methods to the Madness
Introduction
Are you tired of pulling out your hair trying to figure out the going market rate for jobs that will attract the critical talent your organization needs in these changing times? Is your head spinning with salary survey data? Are your eyes bleary from reading complicated formulas? Have you chewed your fingernails down to the cuticles laboring over pay grades and ranges? Finally, does your photo appear next to the phrase “analysis paralysis” in mental health journals?

If you answered “yes” to any of these questions, you can sit back and relax while you’re guided through the steps necessary to conduct market pricing in a competitive environment. Although market pricing may seem like a daunting challenge, this guidebook distills the abundance of information into simple, easy-to-follow steps.

Of course, compensation wasn’t always as maddening as it is today. A single owner or operator bore sole responsibility for an employee’s pay in the early 1900s. Times really have changed since those early days. Managing compensation has made a dramatic metamorphosis in the past century — laws regulate it, departments analyze it and numerous surveys disseminate information about it. Today, organizations must monitor the market continually to make sure they are paying their employees competitively to keep their best and brightest on board.

Organizations should keep in mind, though, that compensation is only one core component of total rewards, which are “all of the tools available to the employer that may be used to attract, retain and motivate employees.” Benefits and the work experience are the other two core components. The organization’s total rewards strategy will include base pay program objectives as part of its overall rewards picture. Chapter 1 explains the WorldatWork total rewards approach in greater detail.

**What Is Market Pricing?**

Being aware of prevailing wage rates in the external marketplace is critical to an organization’s success. Employers need to keep a watchful eye
on fluctuating pay rates and market price their jobs to maintain competitiveness. Market pricing is defined as the process of analyzing external salary survey data to establish the worth of jobs, as represented by the data, based upon the “scope” of the job (company size, industry type, geography, etc.). Market pricing has become the most common method of valuing jobs. More than 80 percent of companies use market pricing as their primary job evaluation method, surveys show.

In this method, job rates are set based on the organization’s best estimate of the typical wage rates in the external marketplace for that job. Job descriptions are used to match appropriate jobs. Market data are analyzed and benchmark jobs are arranged into a job worth hierarchy. Jobs with no market data are slotted using relative worth.

With so many salary surveys available, where does one begin sorting through the maze of data to arrive at competitive market rates? Where can employers find sound, unbiased data that correspond to the jobs they need to market price? How should an organization communicate its pay program to employees? These seemingly never-ending questions can make a compensation analyst’s head spin.

The successful execution of pay programs calls for a delicate balance between often-competing objectives, such as the desire to attract and retain the best-qualified employees versus competitive constraints on labor costs. Organizations need to weigh the cost of the compensation program against other factors, such as being less competitive in the labor market to improve operating margins.

This guidebook provides valuable tools and information about market pricing from start to finish. Readers will learn pertinent terminology; get an inside look at collecting, analyzing and interpreting market data; and, finally, learn how to apply their new-found knowledge in hands-on exercises. Insightful examples, the WorldatWork salary survey guidelines, case studies and a glossary of terms round out this unique learning experience.
For additional insights into market pricing, WorldatWork offers the following courses to augment this guidebook: C1: Regulatory Environments for Compensation Programs; C2: Job Analysis, Documentation and Evaluation; C4: Base Pay Management; and T3: Quantitative Methods. Supplementary reading materials include the following WorldatWork Building Blocks booklets: Building Pay Structures: An Approach to Establishing the Foundation for a Compensation Program; Mastering Marketing Data: An Approach to Analyzing and Applying Salary Survey Information; Measuring the Marketplace: An Approach to Designing and Conducting a Salary Survey; Determining Compensation Costs: An Approach to Estimating and Analyzing Expense; and Communicating Compensation Programs: An Approach to Providing Information to Employees. Other excellent resources are the WorldatWork Total Salary Increase Budget Survey and the Salary Survey Guidebook, which provides a list of survey sources.