# Benchmarking Tip Sheet

While it may seem as if benchmarking pay against other organizations is easy, there are several key decision points that sho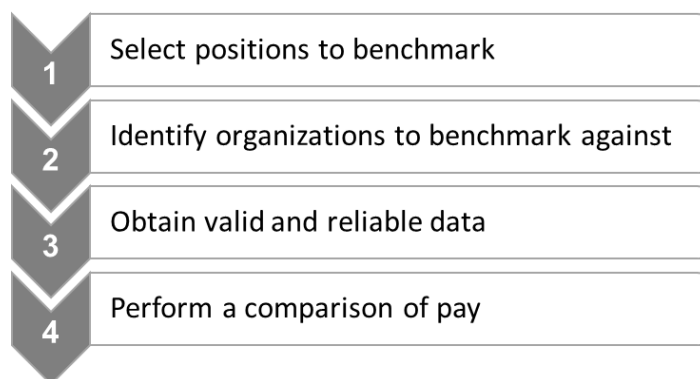uld be documented as part of this process. Compensation benchmarking involves matching internal job descriptions to positions in other organizations that require similar knowledge, skills, and abilities to determine the external market pay rate for each position. Understanding what other organizations are willing to pay enables you to determine competitive salary ranges for each position and attract and retain top talent.

The Society for Human Resource Management (SHRM) recommends examining your overall salary structure at least every three to five years.[1] You may find that you need to examine certain positions more frequently when special circumstances arise. For example, if the opening of a new medical complex results in the departure of school staff in healthcare fields (e.g. school nurses, physical therapists, speech pathologists, psychologists, etc.), this should trigger the board and district leadership to look more closely at compensation structures for these positions.

Because this work is highly technical, you may want to enlist a third party with expertise in compensation studies to benchmark pay and recommend changes to your salary structures. If you lack internal expertise in this area, it can save you time and money. In addition, using a third party can help ensure that the findings are accurate, impartial, and legally compliant.

## Steps to Benchmark Compensation

Compensation benchmarking involves the following four steps:

**1** Select positions to benchmark

**2** Identify organizations to benchmark against

**3** Obtain valid and reliable data

**4** Perform a comparison of pay

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[1] Sammer, J. M. (2013, May 21). Updating salary structure: When, why, and how? Retrieved from
https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/updating-salary-structure.aspx

1.  **Select positions to benchmark**

    The more positions you benchmark the better your data analysis will be. When selecting positions to benchmark, think about positions that:
    - Are hard to fill
    - Have high levels of turn over
    - Require specialized skills, certifications, licenses, etc.
    - Have the largest number of FTE's
    - Are the highest and the lowest paid

    Each position that you plan to benchmark must have an accurate and up-to-date job description. In benchmarking, job titles are not the appropriate way to compare pay because job titles alone will not tell you the degree of alignment between jobs. Comparisons should be made based on the work normally and regularly performed in each position. To consider a job to be comparable for pay purposes, you typically want at least 70% of the job duties or responsibilities to match.

2.  **Identify the organizations to benchmark against.**

    A benchmark analysis should include data from five to ten comparable organizations for each position. Several factors can be used to identify comparable organizations for benchmarking. Examples of factors are provided on the following pages. Since each of these represent a different way to look at your organization, frequently organizations perform multiple benchmark analyses against different comparison groups.

    The rationale you use to create comparison groups should be documented, and it is important to apply a consistent approach when determining which organizations to include in the comparison group.

    - Example 1: You want to do a comparison based on general fund budget. To be consistent you decide to include organizations whose general fund budget is within +/-15% of yours. Your organization's general fund budget is $375 million so you would include organizations with general funds of approximately $318.8 million to $431.3 million in your comparison group.

    - Example 2: Your organization serves 1,530 students and 8 percent are classified as students with disabilities. If you choose to compare yourself using +/- 10%, you would compare your organization to organizations that have 0% to 18% of their students classified as students with disabilities.

    **Note:** If you want to compare your organization to organizations outside of your state or to organizations that have dramatically different costs, be aware that Cost of Living or Cost of Labor adjustments are typically made before comparing compensation rates.

## Location

- Organizations within your city, county, region, or state
- Organizations within a specific driving distance of your organization
- Organization in similar cities, counties, or regions
- Organizations in defined areas such as:
  - Appalachian Region as defined by the Appalachian Regional Commission
  - State Support Team Regions as defined by ODE
  - Educational Regional Service Centers

## Size

Organizations with a similar:

- student count
- teacher count
- building leader count
- total FTE count
- number of school buildings

## Economic and/or Social Characteristics

- Geographic Area: Urban, Rural, Suburban
- Typology of Ohio School Districts as defined by ODE

| Typology Code | Major Grouping | Full Descriptor |
|---|---|---|
| 1 | Rural | Rural - High Student Poverty & Small Student Population |
| 2 | Rural | Rural - Average Student Poverty & Very Small Student Population |
| 3 | Small Town | Small Town - Low Student Poverty & Small Student Population |
| 4 | Small Town | Small Town - High Student Poverty & Average Student Population Size |
| 5 | Suburban | Suburban - Low Student Poverty & Average Student Population Size |
| 6 | Suburban | Suburban - Very Low Student Poverty & Large Student Population |
| 7 | Urban | Urban - High Student Poverty & Average Student Population |
| 8 | Urban | Urban - Very High Student Poverty & Very Large Student Population |

- Economic Research Service Typologies for Counties as defined by the US Department of Agriculture: Includes designations for Metro or Non-metro status, Economic dependence types, and other economic and social characteristics
- Student Population: Example include
  - Similar # or % of economically disadvantaged student enrollment
  - Similar # or % of students with disabilities
  - Similar # or % mobility rates
  - Similar # or % of limited English proficiency student enrollment

## School Structure or Typology

- Public, Charter, Private, Parochial, Military, Bureau of Indian Education, Head Start
- School District Styling as defined by Ohio Revised Code: City school districts, Local school districts, Exempted village school districts, Cooperative education school districts, Joint vocational school districts or vocational school districts
- Program typology: Traditional, Virtual, Career Technical, Early Childhood, Secondary or Post-Secondary Options

## Budget and/or Funding

- Similar general fund budget
- Similar sources of funding: Examples include Local, State. Federal, Other (could include donations, grants, endowments, program revenue)
- Similar per pupil spending: Examples include Operating spending per pupil, Classroom instruction spending per pupil, Non-classroom spending per pupil

## Other

- Competitors: In education these are frequently organizations that are geographically close, but it may not always be the case. When selecting organizations to benchmark, ask yourself
  - Who actively hires away our most valued and talented people?
  - Where do people go to work when they leave our organization?
  
  The answer may be another education organization, or it may be an organization in another industry. Either way, knowing that information should assist in making decisions about which organizations to select for benchmarking.
- Results: Examples include
  - Similar overall or component grade on the Ohio School Report Card
  - Similar ACT or SAT scores
  - Similar graduation rates
- Employee Population: Examples include
  - Similar # or % of principals with master's degrees

- o  Similar # or % of teachers with National Board Certification
- Special Programs or Situations: Examples include
  - o  Career-technical program with an aviation mechanics program– benchmark other local organizations that employ aviation mechanics (not just education organizations)
  - o  Shortage of nurses– benchmark against local organizations that employ nurses (not just educational organizations)
  - o  Shortage of bus drivers– benchmark against local organizations that employ drivers who must have a CDL (not just educational organizations)
  - o  A new business that employs IT professionals has opened in your area, and many of the staff in your IT department have left to work for this new employer. Best practice would be to benchmark the rates for IT professionals locally (not just in education) to make decisions about next steps.

## 3.  Obtain valid and reliable data

For data to be used in compensation benchmarking, it should have the following characteristics.

**Timely**

Whether you're buying compensation data from a vendor or locating it yourself, the data should be between 3 months and 12 months old. If you can only obtain data that is older than 12 months, it needs to be appropriately adjusted for local inflation.

**Accurate**

The compensation data must come from a valid and reliable source. Self-reported information on websites like Glassdoor are not appropriate for benchmarking purposes.

**Position specific**

Pay bands for specific positions should be used to conduct compensation benchmarking rather than an individual's actual pay. Due to the availability of compensation data in the public sector, it relatively easy to obtain actual salary data from local newspapers or websites such as Ohio State Treasurer. This data is person-specific and could include stipends or other perks in addition to base pay. Using actual pay data could lead you to draw inaccurate conclusions.

- Example: A high school principal's annual take-home pay is $87,580 and includes a stipend for coaching the girls' JV golf team. The pay band for high school principals is $72,000 - $86,000. Compensation benchmarking should not

include the pay he receives for duties he assumes in addition to his role as a principal.

### 4. Perform a comparison of pay

Calculate the average minimum, midpoint, and maximum pay rates of each position across the organizations in your comparison group. Then compare those rates to your organization's minimum, midpoint, and maximum. You are permitted to weight the pay rate of organizations in your comparison group, but no single organization can be weighted more than 25%. Market competitive pay typically sits within +/-20% of the comparison group (market).

As an organization, you will have to decide whether you want to pay above, below, or at the market rate. When determining the adjustments that you want to make to your pay ranges, consider how you will balance budgetary constraints, market competitiveness, and staff perceptions of fairness. Pay schedules should transparent, communicated, and applied to determine employees' pay consistently.