



# Wage Comparability

A Guide for Conducting a Wage and Fringe Benefits  
Comparability Survey





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## A Guide for Conducting a Wage and Fringe Benefits Comparability Survey

A wage and fringe benefits comparability survey is an analysis of an employee compensation system in comparison to similar organizations that offer similar services and demographics. To establish and maintain high-quality program operations and services, Head Start and Early Head Start programs must attract and retain qualified personnel. Employee compensation is an important component of any program's ability to maintain a skilled and motivated workforce. This guide assists programs to:

- Understand federal regulations related to employee compensation
- Define what to consider before conducting a wage and fringe benefits comparability survey
- Measure current data associated with prevailing wages and benefits within the service area against current program wages and benefits
- Analyze the impact of the current wage structure against program staff recruitment, retention, and quality of service
- Improve efforts to attract and retain qualified program staff
- Develop and implement a process to measure the impact of wage and benefit on overall program quality





## Understanding the Requirements Related to Employee Compensation

Although there are no specific requirements for Head Start wage and salary plans, there is regulatory language regarding employee compensation. This section explains the federal requirements related to employee compensation.

### Head Start Act — Improving Head Start for School Readiness

The Head Start Act, Section 653 requires that Head Start programs not pay less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938 and encourages Head Start agencies to provide compensation according to salary scales that are based on training and experience.

*Sec. 640(a)(5)(A). Allotment of Funds; Limitations on Assistance* requires that funds be reserved to carry out quality improvement activities under paragraph (4)(C) and this paragraph “shall be used to improve the compensation (including benefits) of educational personnel, family service workers, and child counselors, as described in sections 644(a) and 653, in the manner determined by the Head Start agencies (including Early Head Start agencies) involved to:

- (i) ensure that compensation is adequate to attract and retain qualified staff for the programs involved in order to enhance program quality;
- (ii) improve staff qualifications and assist with the implementation of career development programs for staff that support ongoing improvement of their skills and expertise; and
- (iii) provide education and professional development to enable teachers to be fully competent to meet the professional standards established under section 648A(a)(1), including—





- (I) providing assistance to complete postsecondary course work
- (II) improving the qualifications and skills of educational personnel to become certified and licensed as bilingual education teachers, or as teachers of English as a second language; and
- (III) improving the qualifications and skills of educational personnel to teach and provide services to children with disabilities.

*Sec. 644(a)(3)(A). Administrative Requirements and Standards* mandates that each Head Start agency shall adopt for itself and other agencies using funds or exercising authority for which it is responsible, rules designed to establish specific standards governing salaries, salary increases, travel and per diem allowances, and other employee benefits.

*Sec. 653(a) Comparability of Wages.* The Secretary shall take such action as may be necessary to assure that persons employed in carrying out programs financed under this subchapter shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of the persons providing substantially comparable services in the area of the person's immediately preceding employment, whichever is higher; or (2) less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938. The Secretary shall encourage Head Start agencies to provide compensation according to salary scales that are based on training and experience.

(b) Limitation-

- (1) IN GENERAL-  
Notwithstanding any other provision of law, no Federal funds may be used to pay any part of the compensation of an individual employed by a Head Start agency, if such compensation, including non-Federal funds, exceed an amount equal to the rate payable for level II of the Executive Schedule under section 5313 of title 5, United States Code.
- (2) Compensation – In this subsection, the term 'compensation' –



- (A) includes salary, bonuses, periodic payments, severance pay, the value of any vacation time, the value of a compensatory or paid leave benefit not excluded by subparagraph (B), and the fair market value of any employee perquisite or benefit not excluded by subparagraph (B); and
- (B) excludes any Head Start agency expenditure for a health, medical, life insurance, disability, retirement, or any other employee welfare or pension benefit.

## Head Start Program Performance Standards

The *Head Start Program Performance Standards* do not specify who must conduct a wage comparability survey. However, 45 CFR §1302.90(a) *Establishing personnel policies and procedures* indicates a program must establish written personnel policies and procedures that are approved by the governing body and Policy Council or Policy Council Committee and that are available to all staff.

Head Start grantee and delegate agencies should include descriptions of each staff position, addressing, as appropriate, roles and responsibilities, relevant qualifications, salary range, and employee benefits in their personnel policies and procedures.

## Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards (Uniform Guidance)

45 CFR 75.430 applies a standard of reasonableness to compensation as follows:

### **45 CFR §75.430 Compensation—personal services.**

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §75.431. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (i) of this section, when applicable.

“(b) *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the





non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

This regulation is consistent with the purpose of wage comparability which is to link pay levels to those defined by the relevant labor market. The relevant labor market is typically one that the employer must compete in for employees with a particular skill set.

### **Fair Labor Standards Act (FLSA)**

Head Start and Early Head Start programs are covered by provisions of the FLSA. The FLSA is a federal law governing minimum wage, overtime pay, and equal pay for men and women in the same type of job, child labor, and recordkeeping requirements.



## What to Consider Before Conducting a Wage and Fringe Benefits Comparability Survey

From a financial perspective, an analysis of the employee compensation system should be based on a thorough understanding of applicable regulations and exploration of the personnel policies and procedures, processes, and expenditures supporting an agency's compensation plan.

The following list of questions and answers can help your program decide whether to conduct its own study, hire a consultant to perform the work, join a coalition of organizations to conduct a survey, or draw from existing information from one or more sources.

**1. Are positions reported in other studies adequately similar to yours to use as comparisons?**

Choose benchmark positions, at least one from each grade in your position classification system, whenever possible, rather than trying to collect information on each position in the program. Head Start has some positions that have few comparable jobs in the broader community.

**2. Can you identify benchmark positions in your organization with adequate parallels in an outside survey?**

Be sure to choose benchmark positions that have parallels in the area. For example, if disabilities aide and secretary are in the same grade, choose secretary as the benchmark job. We may be able to gather more comparability data on secretaries than disabilities aides in other programs.

**3. Do you know who responded to the external survey?**

Information you obtain about the organizations that have responded is useful when creating a profile for comparability. In your own or a collaborative survey, a form asking organizations for information like budget, number of clients,





type of agency (e.g., government, private nonprofit, for-profit, faith-based), and number of staff will help you describe the group you compared your wages to.

**4. Are job duties, levels of responsibility, and qualifications clear from the survey?**

If you conduct your own survey, you can provide information about the jobs in your program you are requesting comparability data for. A two- to three- sentence description of the position helps the organizations surveyed understand the job better than by just providing a job title. For example, a teacher position in a child care center may have vastly different requirements and qualifications than a teacher in a public-school pre-K program.

**5. Is there a knowledgeable person whom you can contact with questions?**

If you use a survey conducted by another organization, is there someone who can serve as a resource to answer questions about the findings and methodology? If you conduct your own survey, be sure to ask for a contact person and phone number or email address from organizations that submit information to you, so that you can ask questions, if necessary, to ensure that data are accurate, complete, and interpreted correctly.

**6. How much information is gathered?**

A simple wage comparability survey will gather information only about the job and the wage paid by other organizations. However, you should go further and request information about individuals employed in each position surveyed. Information such as level of education and number of years of experience will help you determine how similar the comparability group is to your staff and will provide invaluable information about the wage necessary to attract the most qualified staff. Including information about fringe benefits in the survey will provide you with information about total compensation so that you can make informed decisions.

**7. How are wages reported?**

The survey should provide wage information based on hourly wage. Do not use monthly, annual, or some other aggregated compensation because full time could be considered 40 hours a week at one organization and 35 hours at another.

Some year-round staff work 2,080 hours a year; others work 1,920 or even 1,680 hours a year. Let's say you receive annual salary information from two organizations for the same position. One organization is based on 40-hour weeks, 52 weeks a year (2,080 hours) and the other is calculated on 35 hours a week for 48 weeks a year (1,680 hours), and both report salaries of \$36,000. In this example, we have a big difference in hourly wage (because one



organization pays \$17.31 per hour while the other pays \$21.43 — a 21% difference). Asking for hourly wage data allows for an “apples to apples” comparison.

**8. How many organizations are represented in the survey?**

Your local survey should gather information from at least five other organizations. If you can obtain data from more agencies that are comparable to yours, do so. The more information you have from comparable organizations, the better comparability data you will generate. Studies conducted at the state level are likely to have a broader base of data. If the labor market in your area is significantly different from that of the broader state market, you can correct for the differences using the “correction factor method” described later in this guide.

**9. Do you have sufficient statistical sophistication to perform accurate and thorough analyses?**

Data should be compiled and analyzed using a spreadsheet, statistical package, or other software that enables you to perform basic statistical analyses. You should generate frequencies and averages for most data elements. For wage, education, and experience data, it will be useful to report high, low, and median data as well as averages. Measures that reflect the variability or dispersion of reported wages are also useful. The range and the standard deviation are the most common dispersion statistics, which tell you how spread out the data values are.

**10. Is there someone who understands these statistics (either in-house or a consultant) to help you synthesize the information and compile a wage comparability report?**

Head Start programs may not pay wages in excess of those paid to individuals in comparable positions in the communities they serve. If a program can acquire relevant comparability data from another source — such as county government, United Way, or state employment services — that information can be used. In most circumstances, these sources are used to

supplement, not supplant, locally conducted studies. It is helpful to examine compensation as a total package and it is good business practice to look at fringe benefits as a part of total compensation.

From a financial perspective, an analysis of the employee compensation system should be based on a thorough understanding of applicable regulations and exploration of the personnel policies and procedures, processes, and expenditures supporting an agency’s compensation plan.







## Guidelines for Conducting a Wage and Fringe Benefits Comparability Survey

Wage and fringe benefits comparability surveys are required to ensure that salaries do not exceed comparability, but more importantly, to enable Head Start programs and their grantee and delegate agencies to design compensation policies and practices that are fair, equitable, and enable them to attract and retain qualified personnel.

Employee compensation should be guided by three factors: comparability, equity, and affordability. Head Start and Early Head Start agencies are responsible to ensure that, as much as possible, their employees are compensated at levels comparable to others in the communities they serve who bring similar qualifications to similar positions.

Additionally, local programs should design compensation strategies that are internally equitable. In other words, program employees with similar levels of responsibility, education, and experience are paid similarly without discrimination based on forms of identity including race, gender, age, disability, or sexual orientation. Each grantee and delegate agency must develop compensation systems that are within the means of the agency — that is, wage, salary and benefits plans must be affordable.

Every agency should be able to design a wage and salary administration plan that is equitable and affordable. Whether or not wages, salaries, and benefits are comparable to those offered in the broader community is a function of funding level, priorities, and other resources.

The following information and methodology can guide Head Start and Early Head Start programs in conducting a wage and fringe benefits comparability survey. The steps described below provide guidance on how to use the information gathered from the survey designed to improve the equity, comparability, and affordability of wages and benefits.



## **STEP 1. Develop up-to-date job descriptions**

One of the basic elements of any human resources system is the job description. Prior to conducting a wage comparability survey, it is critical to have up-to-date job descriptions. Data will be collected on specific jobs, so being clear about the key functions of jobs in your organization is a prerequisite to designing an effective wage comparability survey.

Once you are comfortable with the clarity and thoroughness of your organization's job descriptions, you can distill job descriptions for benchmark jobs (see explanation in Step 3 below) into mini-job descriptions for the purpose of conducting a wage comparability survey.

## **STEP 2. Ensure that the position classification system is accurate and up to date**

The position, such as, director, teacher, secretary, or bus driver is the basis of an employee classification system. Programs should have a system or schedule of employee job classifications that group together jobs with similar levels of responsibility and qualifications.

For example, one classification or grade might include cook, custodian, and bus monitor, while another higher grade includes literacy specialist, executive assistant, and accountant. Although the positions differ significantly from each other within the grade in terms of job duties, it has been determined that they have similar levels of responsibility and like qualifications. For example, a literacy specialist, executive assistant, and accountant all have bachelor's degrees in job-relevant fields and at least five years of experience. On the other hand, no formal education is required for the cook, custodian, or bus monitor.





In addition, entry level positions may not require previous experience. Positions are generally classified into classes, levels, or grades. Each grade includes the list of positions that are grouped together in that classification.

These position classifications show the relative worth of one job to another and form the foundation for internal equity in the compensation plan. In other words, employees in the same grade with the same qualifications would expect to be paid at the same or nearly identical level. Exceptions should reflect differential pay based on performance (e.g., merit pay) and not on favoritism, accidents of history, or other subjective factors.



### **STEP 3. Select benchmark positions**

Benchmarking is a process to establish a standard or point of reference for use in evaluating the hourly wages of the organization. Once the position classification system is reviewed or revised, one or more benchmark positions should be selected from within each grade. Wage data are then solicited only for those benchmark positions.

Each benchmark should be a common position that tends to have similar duties and responsibilities associated with it regardless of the employer. In the previous example, we encouraged you to select secretary as a benchmark from a grade which includes secretary and disabilities aide, since secretary is the more common position.

Why select benchmarks at all? Why not just collect data on all positions in your program or agency? In an ideal world, an employer-developed survey would describe and collect compensation survey data on every job in the target organization.

There are at least two considerations that make this global strategy impractical. First, most organizations have a subset of job classifications that are relatively unique or perhaps rapidly evolving. For these jobs, finding external organizations with similarly structured jobs — or at least finding enough of them to provide stable wage rate estimates — is quite unlikely. In these instances, the relevant data are often just not available. The more common impediments to the global approach are the logistical obstacles.

Respondents to compensation survey solicitations oftentimes don't have the time for the many data requests they receive. Surveys with very lengthy lists of job titles are more likely to be ignored than those requesting information on a limited number of job classifications.

The benchmark jobs approach is the more common strategy for gathering wage and benefits survey data. Benchmark jobs have content that is relatively stable and similar across employers. They are also common across employers, especially among those in a particular industry, such as early childhood education or human services.

The disadvantage of the benchmark approach is that only a subset of jobs is directly indexed to the external market. Your organization must then extrapolate survey data to the remaining jobs in your organizational structure. Choosing one or two benchmark jobs from each grade enables an organization to generalize to other jobs in that grade, with the certainty that all jobs within a grade are more similar to each other than they are to other jobs in other grades.

Using the benchmark approach, your organization compares the benchmark jobs' hourly wages with your organization's current hourly wages for the grade in which each benchmark job is classified. Using the benchmark wages and average years of experience as a guide, the entry level hourly wage for each grade in a target salary schedule can be established.

In addition, be sure to provide appropriate increases between grades that reflect determinations of the levels of responsibility and requisite qualifications for positions in each grade. Finally, the size and complexity of the organization should be considered in reviewing benchmarks.

#### **STEP 4. Identify and invite the participation of comparable organizations**

Once all of your internal activities have been completed, it is time to identify the comparable organization's data. One of the most critical and challenging wage and benefits comparability decisions is choosing which external organizations to solicit compensation data from. When employers seek to link their pay structures to the market, the relevant labor market includes those organizations they compete for employees with. These relevant labor markets can be defined by employers who compete for employees to do the same jobs, who compete for employees within the same geographic area, and organizations that offer a similar product or service.

The greater and more sophisticated the set of competencies required for a job, the broader the geographic boundaries defining the relevant job market. The reality is, given the mix of jobs in most organizations; almost all employers compete for labor in multiple markets. Rarely will a single wage survey comprehensively address market pay for the full spectrum of job classifications in an organization.

Multiple surveys with a unique mix of survey respondents for different job classifications could produce the best comparability information. For example, for positions like cook or custodian, it may be advisable to survey other area employers who offer entry-level positions, such as fast food, retail, hotels, and motels. For management positions and others requiring specialized knowledge and skills, casting a broader net geographically (e.g., other areas of the state or region with demographics similar to your area's) may provide more comparable data.

For most organizations, choosing comparable organizations from among others in the human services sector in their broad geographic area will provide adequate comparability measures. However, it may be prudent to choose additional comparables to gather information on the highest-level jobs or positions that the agency has experienced considerable turnover with, which may be related to substandard wages in your geographic area.

A frequent characteristic of locally conducted Head Start wage comparability surveys is that they gather data solely from other Head Start programs within their state or area. This practice is not particularly desirable, for several reasons:

1. Head Start salaries tend to skew lower than the broader labor market.







2. Comparable organizations should be ones the Head Start program directly competes with for talent, unless a Head Start program recruits staff primarily from and loses staff primarily to other Head Start programs.
3. There are different auspices, sizes, and services provided across Head Start and Early Head Start programs. For example, a Head Start program in the next county may be less comparable to your program than the senior center down the street.

To obtain a sample of early education and human services programs to provide a broad spectrum of comparability data, your program should identify outside agencies that have positions comparable to the benchmarks you have chosen and provide similar services. You can choose a mix of other programs serving children, families, seniors and other community residents, such as data from:

- Child care centers and pre-K programs
- Health, rehabilitation, and mental health centers with jobs and credentials comparable to Head Start staff in the health and nutrition areas
- Social workers, outreach workers, and case managers find parallels in social services agencies, rehabilitation, and family and children's centers

- Agencies on aging, senior citizen programs, and family service programs have staff similar to those in family services and parent engagement.

Organizations that Head Start programs may want to contact to provide comparability data include:

- Public schools, specifically pre-K programs
- Child care centers
- Hospitals
- Social services agencies
- Nursing and assisted living facilities
- Government agencies
- Health departments
- Private children's organizations (e.g., Big Brothers/Big Sisters, Boys and Girls Clubs)
- Housing authorities
- Mental health agencies and centers
- Educational, social services and other human service programs offered by the faith-based agencies
- Organizations engaged in human services and related activities



There are no clear rules for how many employers to include in a wage and fringe benefits comparability survey. However, if comparables are chosen carefully, five other organizations should represent a reasonable sample. One rule is clear: Identify more comparables than you need for your study. Experience has shown that not every organization you invite will participate.

Aggregating wage data across fewer than five organizations often raises questions about the stability of the resulting market wage estimate. But simply aggregating across many organizations with widely varying compensation does not ensure a useful estimate. Likewise, there is no consistent minimum requirement for the number of employees in



a job classification required to meaningfully estimate a market wage for that position. Nevertheless, a good rule of thumb is that you need information on at least five employees in a position to establish comparability.

With a carefully defined market wage for a job, you'll need less survey data. The more consistent the definition of compensation is, the more accurate the results will be to the intended employer.

Once a group of comparable organizations has been identified, the next step is to invite them to participate in your wage and fringe benefits comparability survey. Experience has provided several successful strategies in making these invitations.

- 1. Request data from organizations with comparable positions.** Draw upon existing relationships and ask colleagues to support your efforts.
- 2. Choose organizations of similar size and quality.** It is inappropriate for a medium-sized Head Start program to compare itself with a large state university or a small child care center.
- 3. Have someone in your organization who is acquainted with a key member of the comparable organization contact that person to request that agency's participation.** A personal contact followed up in writing advises the comparable agency that a formal request is coming,
- 4. CEO to CEO is the best level of contact.** If the top administrator in your organization is willing to contact their colleagues in comparable organizations and obtain a commitment of their participation, that organization is likely to take the invitation seriously and provide the requested information.
- 5. Follow-up with a written invitation and explanation of the project.** Include the information you need to give to comparables. Your invitation may be adapted to reflect your personal style of communication.
- 6. Provide a realistic estimate of the time that the comparable's participation will take.** We estimate that the entire process will take six to eight weeks from the date of invitation to completion. That's two weeks to get comparables contacted and committed, four weeks for them to complete their data entry, and two additional weeks to round up those who do not meet the deadline. Comparable organizations should be given a deadline for submission of their materials one month from the initial invitation.
- 7. Identify someone in your organization the comparables can contact for assistance.** Other organizations are more likely to fulfill their commitment to participate in the survey if they have someone to contact if they encounter difficulties.
- 8. Follow-up.** During the data entry phase, personally contact the key individuals in the comparable organizations to offer assistance, keep the project and its deadlines in the forefront of their thinking, and offer your thanks for their participation and support.

## STEP 5. Conduct the survey

Survey data should be gathered at both the organizational and employee level. The organizational-level data make it possible to create a profile for organizations participating in the survey and to compare that composite profile against the characteristics of the target agency.

To determine comparability of wages most accurately, organizations can use employee-level data, which provide a set of descriptors for each benchmark position that can be used to most accurately determine comparability of wages. To engage in accurate comparisons, it is important to look beyond the wage paid to other factors such as supervisory responsibilities, education, and experience.

### Organizational Information

1. State and Counties Served
  - List of the state and counties served by the comparable organization
2. Program Type
  - Head Start/Early Head Start
  - Early Head Start/Child Care Partnership
  - Community action agency
  - Health care provider
  - Institute of higher education
  - School district
  - Social services organization
  - Other
3. Program Category
  - For-profit organization
  - Government entity
  - School district
  - Indian tribe
  - Institute of higher education
  - Not-for-profit organization
  - Special district
  - Other
4. Type of Program
  - Urban, rural, urban-rural combination







5. Sources of Funding
  - federal, state, city/county, private, other
6. Size of Program
  - Number of children/clients served
  - Budget information, annual program/agency budget
  - Number of employees
  - Number of individuals employed by the organization

### **Employee Level Data**

1. Position
2. Number of supervisees (if applicable)
3. Level of Education



4. Number of years of experience, credential, certification, or license
5. Number of hours worked per year hourly wage or annual salary

### **Fringe Benefit Data**

1. Position (e.g., director, teacher, administrative assistant, custodian)
2. Hourly wage
3. Number of hours worked per year
4. Percentage-based fringe benefits (e.g., FICA/Medicaid, workers' compensation, disability and unemployment insurance, retirement/pension)
5. Flat rate benefits (health, dental, and life insurance)
6. Miscellaneous benefits
7. Leave (e.g., annual leave, sick leave, paid holidays)



Include fringe benefit data in order to obtain a picture of the complete compensation package for selected classes of employees. You can use this information to generalize that to other positions in the same classes as those represented by the selected positions.

Data on hourly wages is one of the most important things your organization can use for wage comparability. It is imperative to ask for all dollar amounts based on hourly wage to ensure accurate comparisons. Alternatively, you can compute hourly wage by obtaining an employee's annual salary and number of hours worked per year. For example, some agencies consider full time to be 40 hours a week, while others consider it 35 or 37.5 hours a week. Some employers treat 260 days as a full year; others consider it 240 days and so on. Some organizations, like public schools and Head Start programs operating part year programs, offer employees the option of spreading their nine-month salaries across a twelve-month period.

It is also useful to know the annual salary for a given position. In some instances, to be competitive, it is necessary to look beyond hourly wage to annual income. For example, even a generous hourly wage paid to work only a few hours a year may be inadequate to attract and retain staff. It is therefore important to examine both annual salary and hourly wage, but it is essential to use hourly wage for comparison purposes.

**Calculate the total annual compensation received by employees.**

A wage comparability survey should request the number of hours worked per year by each employee surveyed. With the hourly wage and the number of hours worked per year, it is easy to calculate the annual salary (i.e., hourly wage x hours worked per year = annual salary/wages).

## **STEP 6. Analyze comparative wage and benefits data**

Once the data are collected, analyze the data, making relative comparisons of wages and benefits to support decision-making. Digital tools, such as spreadsheets or statistical software applications, will support the analysis process. The following analyses should be conducted on the various data sets.

### **Organizational Information**

- Note the state and counties served by target and comparable organizations.
- List the types and categories of organizations responding to the survey and those same characteristics for the target organization.
- Note the demographics of respondents and target organization
- Calculate the mean percentage of funding received from each source and compare it to the target organization
- Calculate the mean and median program size, budget, and number of employees for each comparable organization and compare that information to the target organization

## Employee Level Data

- Wage report: Report the number of cases for each position. Calculate the mean, median, standard deviation, minimum, and maximum wage for each position and the mean number of hours worked.
- Qualifications and responsibilities profile: Determine the mean number of supervisees for each position, as well as the average number of years of experience and average level of education for incumbents in the position. Reporting whether a position is new or replacement allows for the calculation of turnover rates in each position by taking the percentage of individuals who filled a vacancy (replacement) in that position and ignoring employees with less than one year of experience who filled newly created positions (new).
- Certification, licensure, and credentials profile: Calculate the number of individuals by position with various certificates, licenses, and credentials. Determine the differential in wages for credentialed staff and those with no certifications by calculating the mean hourly wage for individuals with no certificate, license, or credential versus the mean wage for job incumbents with each type of credential.

## Fringe Benefits Data

- Calculate the average percentage or dollar amount for each benefit for every position
- Aggregate paid leave benefits (if desired) for each position
- Aggregate other fringe benefits for each position
- Determine total of basic benefits as a percentage of salary and a dollar amount (basic benefits include FICA/Medicare, workers' compensation, disability insurance, unemployment insurance, retirement/pension, and health, dental, and life insurance)

## STEP 7. Draft a wage and fringe benefits comparability report

A wage and fringe benefits comparability report is more than just a collection of tables and analyses. The report should draw inferences about the findings and apply the information to the local program. It should include the purpose and scope of the work, the methodology and findings, and the tables of data. Many wage and fringe benefits comparability reports also include policy recommendations and implementation strategies.

Once a Head Start program has the statistical reports and profiles from the online survey or its own analyses, it is important to present the information in an easily understandable and integrated report. The report can be generated by a staff member or consultant.

Some reports go further to use the wage and fringe benefits comparability information to inform the development of a revised salary scale. Some also include a budget impact analysis which indicates the cost of implementing the salary schedule based on the comparability data, as well as the associated increases in fringe benefits.





## **STEP 8. Develop a wage, salary and benefits administration plan, policies, and practices**

The final step in this process is to use the data from the wage and fringe benefits comparability survey to improve and enhance an organization's wage and salary administration plan, benefits administration, and compensation policies and practices. Information in the following chapter provides guidance to effectively use this comparability information to foster program improvements and enhancements.

Recall that a wage and fringe benefits comparability survey addresses only one of the important elements of an organization's compensation plan: comparability. Internal equity and affordability must also be considered and can be strengthened by carefully applying information from the comparability survey. Furthermore, compensation policies and practices can be reviewed in light of external comparability data.





## Guidelines for Using Wage and Benefits Comparability Data

The data reported in a thorough and methodical wage and fringe benefits comparability survey supply the basic information necessary to ensure that Head Start and Early Head Start programs meet the requirements of the Head Start Act. An organization can use these data as the basis for the development of its wage and salary administration plan and, by reviewing fringe benefits information as well, to design the organization's complete employee compensation plan.

Benchmark positions should be compared against agency positions. The salary schedule which is developed should reflect the relative worth of positions within the organization. The schedule should also offer wages as comparable to those paid to employees in similar positions in other organizations. These two elements — internal equity and external comparability — are crucial if an organization is to attract and retain qualified employees and distinguish between positions requiring different levels of factors like responsibility, risk, and autonomy, with varied qualifications.

Head Start programs may also have access to statewide wage comparability surveys or data from other areas that represent relevant labor markets. These data can be used if adequate measures are taken to tailor the data to the local labor market. Consider the following steps when analyzing your data.

### Phase 1

Ensure that the data represent a relevant labor market. If the relevant labor market is not the local community or if it is well beyond an organization's service area, then state or broad area data may provide the best source of comparability. This is especially important when organizations are looking at subsets of information, such as teachers with and without state certification or directors with a master's degrees.





This information will be valuable when reviewing broader studies rather than focusing solely on information from a narrower locale. That's because the number of cases in categories will be larger than for individual locales and certainly more reliable than for smaller areas within a state.

Because of the relationship between median per capita income and hourly wages in an area, it may also be important to correct for differences in cost of living in different areas, the "correction factor method" mentioned earlier in this guide. If the median per capita income for an organization's service area differs significantly from the median per capita income for the labor market in the survey, a correction factor may be calculated. The correction based on differences in median per capita income is performed as follows.

- A. Compare median per capita income of your service area with the survey median per capita income. (County median per capita incomes figures are broadly available from state agencies and on the Internet.) If it represents a significant difference, calculate the correction factor.



- B. If your area median per capita income is significantly higher or lower than the survey average, compute your area's percentage of that figure. To do this, divide the median per capita income of your area by the survey median per capita income. If the median per capita income is higher than the survey average, your result will be greater than one; if it is lower, your correction factor will be less than one.

**Example:**    **The area median per capita income:**            **\$32,500**  
                  **Survey median per capita income:**            **\$28,641**

$$\$32,500/\$28,641 = 1.13$$

Therefore, your correction factor is 1.13.

- C. Multiply the survey hourly wages by your correction factor to obtain an adjusted hourly wage for each position. If the survey contains many positions, you need not multiply all hourly wages by your correction factor, but only those for the positions chosen as benchmark positions. These corrected figures will be your benchmark wages.

**Example:**    **Average hourly wage for teacher:**            **\$15.91**

To adjust this hourly wage for your program which has a median per capita income of \$32,500, multiply the hourly wage by your correction factor of 1.13.

$$\$15.91 \times 1.13 = \$17.98$$

## Phase 2

Apply information collected from the survey to your benchmark positions. Compare positions from the survey with those in your organization. Fill in between grades and levels within grades to complete your salary scheme for each grade and level.

## Phase 3

Conduct comparisons of benchmark wages with agency positions.

## Phase 4

Construct a salary schedule based on the benchmark data, grades and levels, agency ability to pay, and step (i.e., annual and merit) increments or pay bands.

Using this simple process will enable you to identify benchmark position comparisons from other surveys or from your own survey of disparate labor markets which reflect the differences





or similarities between agency wages for positions in a given classification and those paid by employers with similar positions. From these findings, a salary schedule that includes entry level wages for each classification and either step increases or broader pay bands will emerge.

The salary schedule provides the basis for assigning salaries and noting salary ranges on job descriptions. The salary schedule should be used to:

- Place each employee at the compensation level appropriate to their position and qualifications
- Assign salary levels for new hires
- Guide salary decisions for employees who are promoted within the organization
- Reflect a career and compensation progression showing employees how salaries will increase with professional and career development

Finally, this analysis and comparison will enable your program to respond appropriately to federal cost-of-living increases by ensuring that those employees whose salary levels are below comparability are eligible for increases, while withholding increases from those whose salaries exceed comparability.

## Considerations for Applying Survey Data

A wage and fringe benefits comparability report enables the reader to examine wage and benefits comparability data for the relevant labor market. In addition, data about education, experience, and certification, credential, or licensure data enables users to go beyond benchmark positions for specific wage data based upon these variables. It is important to consider the following key points in applying survey data to an organization.

- 1. It is difficult to determine wage comparability with real accuracy based on only two or three cases.** Therefore, for those positions that there are only one or two of per agency, wage comparability must be determined from a larger sample, ordinarily state or broad area data. Avoid basing comparability on a small number of cases, and check the number of cases in each category when reviewing the output. Wage comparability should not be computed using positions with fewer than five cases.
- 2. For positions such as teacher, teacher assistant, bus driver, cook, secretary, and so on, where there are many cases, local data may be more than adequate to determine comparability.** It is also wise to choose common positions like these for local benchmarks to ensure adequate numbers and clearly establish comparability. For a grade that may include teacher assistants, family service assistants, and disabilities assistants, choose teacher assistant rather than disabilities assistant or family service assistant as the benchmark, since fewer of the latter exist in this survey and/or in communities in general.

If an organization has positions that are not addressed in the survey, it is still possible to obtain comparability data for those positions. Additionally, positions classified in the same grade and level within your position classification system should command the same wages, even though there may not be data on all positions within the grade or level. That is the reason that benchmark positions are chosen for each classification or grade.





- 3. Agencies can establish wage comparability for positions that do not have the same titles or are not included in the survey provided that levels of responsibility, qualifications, etc. are commensurate or if tasks are similar to other positions that are included.**

For example, there may be sufficient similarity between a Head Start parent engagement specialist and a nursing home resident activities director to apply comparability data between these two jobs, even though the job title resident activities director is not included in this study.

- 4. Without mobility, there is no comparability.** If the credentials, experience, or other qualifications for one job would not allow its incumbents to move into another job with the same or similar title, comparability cannot be established between those jobs.

For example, even though a public school and a Head Start job carry the title teacher, if the requirements differ, (i.e., BA/BS, teaching certificate or a Child Development Associate (CDA) credential), the jobs are not comparable for pay purposes. For that reason, it is important for a wage comparability survey to include information about education, licenses, credentials, and certifications.

- 5. A wage comparability survey should be used as a guide, providing benchmarks in specified positions, not as a salary schedule.** Because data are submitted from a variety of sources, steps and levels are not necessarily consistent within the survey. For example, survey data could show that an assistant teacher with a CDA earns an average hourly wage of \$12.00, while a teacher assistant with a teaching certificate averages \$10.00 an hour.

Although this may appear to be an error in the survey, it simply reflects the fact that the survey reports data compiled from several different organizations and is not designed to be adopted as a salary schedule.

When interpreting a wage and benefits comparability survey or using the data to support local compensation planning, it is important to recognize these issues and use caution so that you do not make decisions based on inadequate, unadjusted, or incongruous information or inappropriate comparisons.

By applying the steps listed above and considering these five key points, a valid assessment of comparability of wages and benefits can be made and a useful, accurate, and equitable wage scale and benefits package can be designed.





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