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Dear Reader:

When Ben Eubanks, Principal Analyst at Lighthouse Research & Advisory, proposed that we underwrite the update to their buyer's guide for modern compensation technology and data, we were happy to support the effort. Every major vendor of compensation software and services was asked to help fund this initiative. In the end, only Salary.com and Payscale stepped up to help make the project a reality.

In recent years there have been seismic shifts in the compensation management space and with the latest developments, this report is more important than ever. Payscale acquired Payfactors earlier this year and the planned merger between Aon and Willis Towers Watson was abandoned. We've seen the market shrink from six key independent vendors down to three major ones - Salary.com, Willis Towers Watson, and Payscale – all with strong software capabilities, unique data offerings, and significant market share.

As a leading proponent of transparency and equality in the compensation field, we think it's only fair that we practice the same values in how we serve the industry. It's important to me that you choose the right solution for your company — the one that fits your culture best and helps cement your commitment to pay equality. If that means you don't choose Salary.com, then so be it. That may surprise you coming from the founder and CEO, but I started this business to help the thousands of compensation professionals I've talked to over the years do their work faster and more accurately, to ensure that all employees are paid fairly.

The good news – the results highlight our leadership position when it comes to data quality, software ease-of-use, and pay equity analytics. The icing on the cake? In every interview our customers highlighted that we go beyond the technology and deliver exceptional service and support, underscoring our dedication to their success.

I hope you accept this report in the spirit in which it was intended — an exhaustive review of the leading compensation data and software solutions in the market, created to help you make the most informed purchase decisions for you and your company.

Warmest regards,

Kent Plunkett
CEO
Salary.com

2021/2022

Compensation Technology Buyer's Guide and Provider Landscape

Executive Summary

THE ACCELERATING PACE OF COMPENSATION

In our last report on compensation data and technology, we were hopeful that the plentiful supply of tools and resources in the industry would provide fertile ground for growth in adoption and usage of systems to support actionable and equitable pay decisions.

In our latest study, we found that the pace has accelerated even more quickly than we imagined. More employers than ever before are using purpose-built tools to support the design and day-to-day operation of a strategic compensation framework. More leaders are leveraging sources of data to drive more accurate and effective pay decisions. And more employees than ever before are seeing the benefits of working for firms with a firm grasp of compensation and its many moving parts.

Some of the accelerating trends we will explore more deeply in the pages to follow:

- More usage of a variety of data sources, both conventional and unconventional, to support compensation practices and design

- A greater number of employers using technology than any previous measurement period

- A significant shift in the market on the horizon, with one in two companies planning to evaluate new technology providers in the coming 12-24 months

The professionals and leaders in this space are really hitting their stride, demonstrating a newfound maturity that we called for in our last research on the topic. It is truly an exciting time to be delivering value through the compensation function, and many employers are poised to reap the benefits, from stronger support of career mobility practices and fair offers for new hires to creating overall pay equity alignment and driving critical business outcomes.

This change in pace hasn't just happened on a compensation buyer level. It's also driving big movements within the industry. For example, Payscale and Payfactors merged into a single company in the first half of 2021, and news dropped this quarter that Payscale has also acquired Curo. All three of these companies are featured in the landscape separately to demonstrate what capabilities will be coming together under the Payscale banner. Additionally, two of the biggest players in compensation data and services, Willis Towers Watson and Aon had entered into talks to merge as early as 2020, but the U.S. Department of Justice Antitrust division put a stop to the proposal.

While things are moving at a macro level, there's also plenty of work to be done within the four walls of your own organization. Finding adequate, timely data to meet the intense hiring and retention demands of the workplace today is a very real problem.

IN THE ABSENCE OF DATA, THERE IS UNCERTAINTY.

In the last year, everything has been shaken up across the workplace, but one of the enablers of a rapid recovery and turnaround is clear, accurate, and comprehensive data to support decision-making. Compensation professionals and HR leaders are poised to take on that challenge, as this report will show.

The data here aren't just about how compensation leaders are making decisions--they also explore what resources and tools businesses are using to help them drive top performance. The competitive landscape below demonstrates the broad nature of the compensation management technology segment. *The full landscape and vendor profile listings start on page 47.*
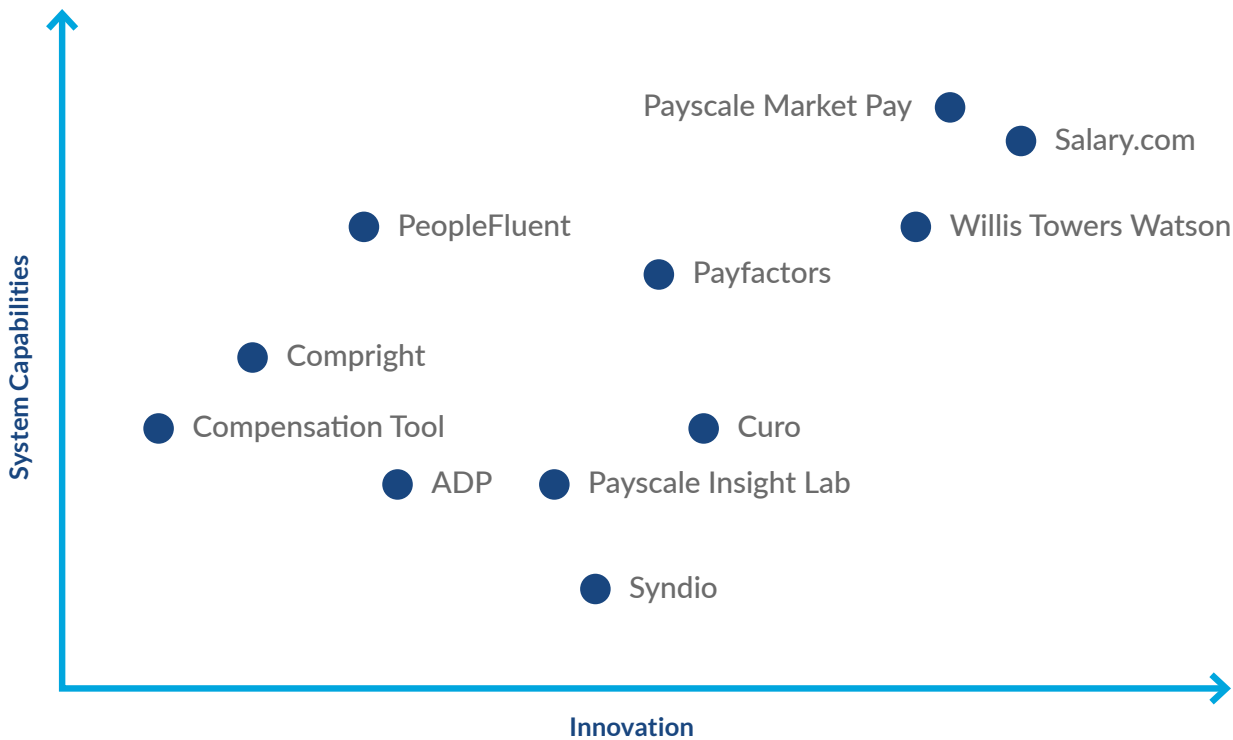

Figure 1

If your company is already doing this well, then look for other lessons in the research from high-performing firms and those with a more mature approach to the discipline of compensation. For clarity, high-performing firms are those with better revenue, retention, and employee engagement than their peer group. This isn't just about HR metrics but business performance as well.

If your organization hasn't yet made the strides you feel it needs to, then this report will serve as a guide to help you, step by step, as you move towards a more credible and valuable function over time.

Table of Contents

Research Methodology and Audience

We used survey partners to distribute the survey to more than 1,000 participants representing firms primarily based in North America. After cleaning the data and filtering for complete responses, we ended up with 856 firms that we analyzed for this report. The respondents represent a variety of company sizes and geographic distributions, providing a solid foundation for analysis.
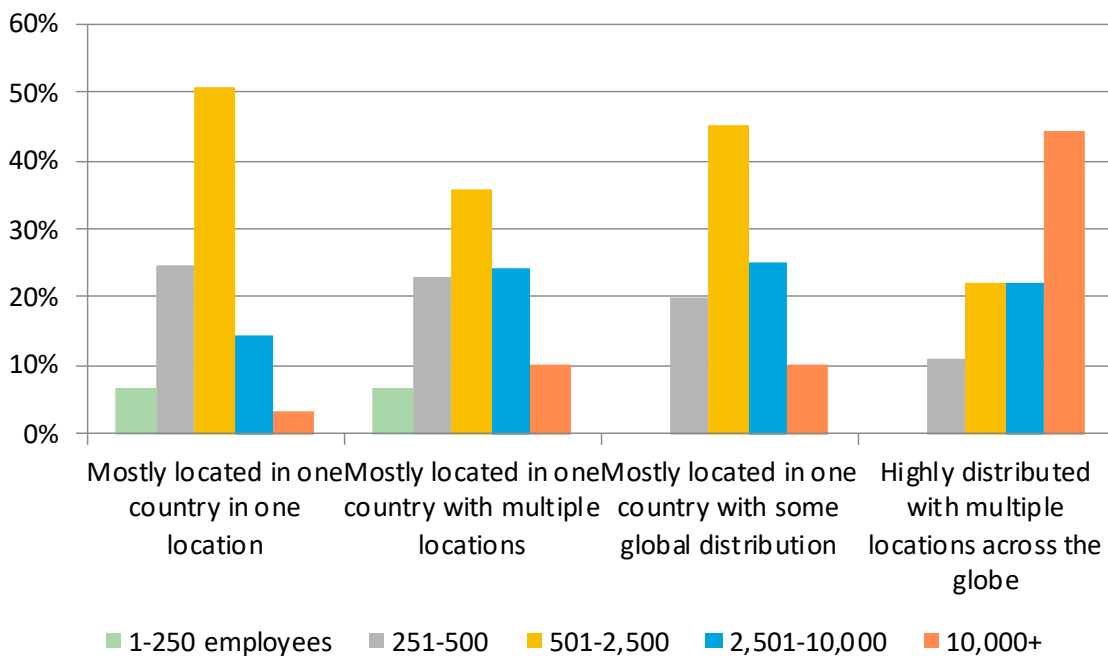
COMPANY SIZE AND GEOGRAPHIC DISTRIBUTION

Figure 2: *Lighthouse Research & Advisory 2021 Compensation Technology Trends Study (n=856)*

QUALITATIVE RESEARCH INTERVIEWS

Upon the completion of the survey, respondents could opt into our research interviews. Our team completed 20 interviews with compensation professionals representing a range of company sizes, industries, and geographic distributions. Those anonymous interviews are incorporated throughout this report where applicable to provide context to the data and our own analyst insights.

STATEMENT OF ETHICS

As an independent analyst firm, our research and reporting provide unbiased, neutral views of the HR technology marketplace. While this specific research was vendor-funded, it does not impact how we share the data with employers and practitioners. If you have any questions, please contact us.

Buyer Personas

Within the context of the data and interviews, we found broad categories of buyer personas. This persona is a mixture of the experience held by the practitioner/buyer and the employer's status as well. For instance, a Mature buyer (has used multiple systems) that starts working for a small business will approach the buying decision differently than a small firm with a Starter buyer who has never touched a compensation system in the past. While this may not fit every use case, the research and follow-up interviews clearly indicated the bigger "buckets" into which employers and buyers typically fall.

	User Comfort Level/ Experience	Data Needs	Company Size	Geographic Distribution
Starter	Little to none	Single market	Typically small (250-750)	Mostly one location
Intermediate	Some experience with at least one system	Multiple markets, national	Typically mid size (500-1,500)	Multiple locations, mostly in one country
Mature	Multiple systems	Multiple markets, some international	Typically mid size to large (1,500+)	Multiple locations, potentially global
Global	Multiple systems	Multiple international markets	Typically enterprise (5,000+)	Multiple locations across the globe

Figure 3: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Regardless of where your company falls on the chart, there are tools in the market designed just for you. During our interviews we talked with firms with as few as 40 employees all the way up to tens of thousands, and each of them was using a piece of technology to help them support their compensation needs, whether building a structure, gathering and analyzing data, market pricing jobs, or tackling pay equity issues.

In the past, these types of powerful systems were only available to the largest employers with significant resources at their disposal, but today there are more moderately priced options available even for SMB firms that want to develop a more structured approach to compensation management.

Today, this set of buyer personas feeds into the overall maturity level of an employer when it comes to buying, using, and attaining value with compensation technology. In the following graphic, you can ascertain where your own company falls on the spectrum and determine what sets you apart from companies that are further up the scale of maturity

Compensation Function Maturity Model

	Data	Technology	Strategy	Priorities	Impact
4	Two or more sources of data used regularly Consistently seeking new data types for meeting needs	Enterprise-class compensation system	Designing a compensation plan with internal and external equity, supporting hiring and advancement decisions with access to robust tools for communications	Pay equity Market alignment (external competitiveness) Career pathing Hiring P4Performance Skills differentials Job description management	More strategic compensation decisions Faster and more accurate job offers Employee retention and engagement
3	Two or more sources of data used to validate decisions regularly	Dedicated, purpose-built compensation system	Designing a compensation plan with elements of internal equity and external market equity, job families, and more defined structure	Supporting alignment of job descriptions and career paths with pay	Employee retention and engagement
2	One source of data used regularly	Beginning to explore purpose-built compensation systems	Beginnings of strategy by creating job families, some basic structure	Creating fair and repeatable processes for comp, basic job description management	Employee satisfaction
1	No data or a single source of data, often free and used ad hoc	Excel or homegrown	None, primarily reactive	Answering inbound questions from leaders	Little to none

Compensation Data Sources and Trends

The core mechanism that powers compensation management software is data. Where employers get their data from matters, as this influences their view of the market, how they price jobs, and more. In our research interviews, one sticking point that kept surfacing was in managing multiple data sets. The average company is using multiple sources of salary data to price jobs and make compensation decisions, from salary surveys, to HR-reported market data, to employee-reported data, and everything in between, as the data below indicate.
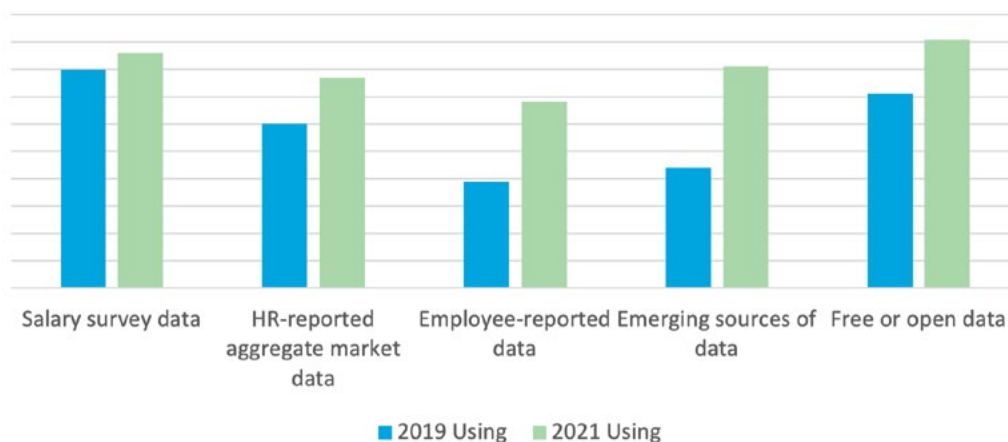
Increasing data usage

Figure 4: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

For clarification, this is how we break down each of these types of data:

- ▶ **Salary survey data:** data gathered in more traditional salary surveys. This is submitted by HR and compensation professionals, vetted by a provider to ensure clarity and accuracy, and reported on with statistical analysis.

- ▶ **HR-reported aggregate market data:** an analysis based on salary survey data, this information combines multiple surveys to "smooth over" any gaps in job titles and provide a valid foundation for compensation pricing. These are only provided by providers with significant numbers of data sets.

- ▶ **Employee-reported data:** this information is provided anonymously by employees (past and present). Because this comes from employees, millions of data points can be collected and reported on, helping to create a clear picture based on the law of large numbers.

- ▶ **Emerging sources of data:** data points in this group are something of a moving target as new options become available with data analysis. For instance, one type is automatically generated peer benchmark data. Another that is increasingly common is based on labor market intelligence from job posting data, leveraging and analyzing millions of open jobs for pay, skill, geographic, and job title data points.

- ▶ **Free or open data:** these data types are open and available for the public online. Government-provided sources typically fall into this category, and the best known is the Bureau of Labor Statistics.

COMPENSATION DATA SOURCES BY COMPANY SIZE

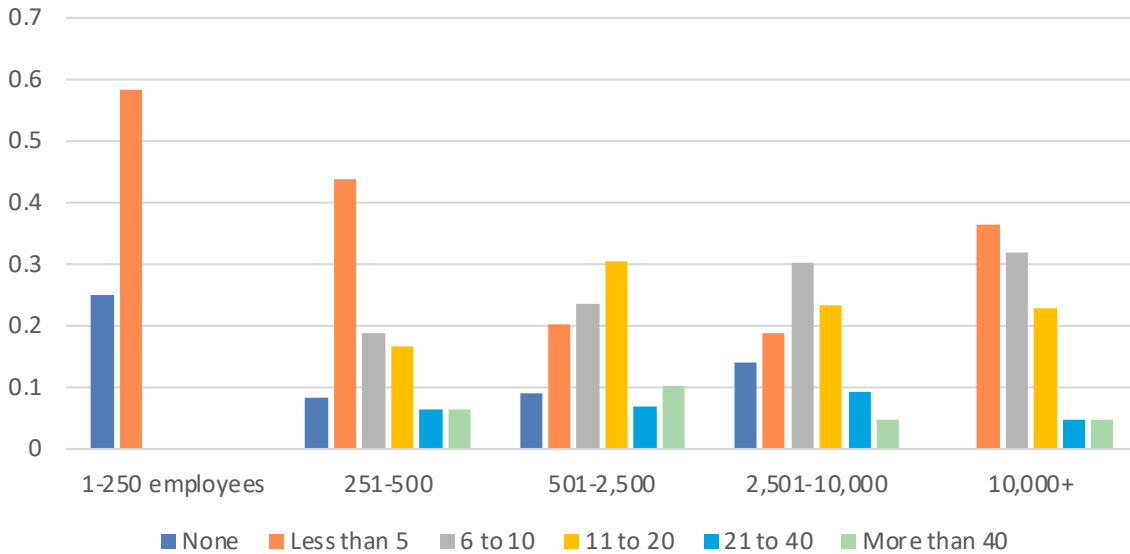### How many surveys and compensation data sets do you subscribe to?

Figure 5:
2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

Buyer Tips: "What do I need data for?"

When making decisions about compensation increases and job offers, employers often use decision methods like "what we've always done" or "last year plus a percentage increase." The challenge with that is you're guessing at a moving target, especially in high growth industries or jobs. Buying compensation data from a reputable provider can help to inform your decisions, provide confidence in your approach, and give you peace of mind. Most employers start their buying "journey" in the compensation space with data before moving on to technology.

One of the new areas of interest is live HR data—some systems have the ability to bring live pay data into the system when pricing a job. Instead of having to rely on a salary survey from two years ago to determine a pay rate for a job offer, compensation professionals can look at near real-time pay data to see what rate to propose.

Another element, as you'll see in the following pages, is anonymous, employee-reported data. Some companies are more comfortable than others in using that information to help determine job pricing, and part of that depends on the size of the organization.

That said, the following list indicates the data types that were ranked most to least accurate by compensation practitioners.

1 **HR-Reported Aggregate Market Data:**
these data sets, also known as "surveys of surveys," are predictive data sets that leverage hundreds of surveys, in combination with machine learning techniques, to offer prices for all jobs in all scopes.

2 **Salary Survey Data:**
data gathered by third parties directly from HR/comp professionals at a diverse group of companies.

3 **Employee-Reported Data:**
data sets compiled from millions of anonymous consumer data points collected online.

4 **Emerging Sources of Data:**
predictive data based on signals relevant to compensation, such as job postings, automatically generated peer benchmarks, and similar offerings.

5 **Free or Open Data:**
data that is free and publicly available on the Web.

Surprisingly, this ranking changes in priority based on company size.

▶ Smaller firms are more likely to say free/open data and/or employee-reported data sources are valid, most likely because this fits within the budget range (free) for most very small firms.

▶ Mid size firms in the 500 - 2,500 employee range are more likely than any other group to be interested in faster-moving sources of predictive data, such as live job posting data or automatically generated peer benchmarks.

▶ Large firms leaned more traditional, preferring to stick with the tried-and-true salary survey data. Interestingly, this group was most likely to also look at HR-reported aggregate market data as a valid source of compensation intelligence.

We will start with the more traditional data types in our subsequent analysis and move into the newer types of salary data sources.
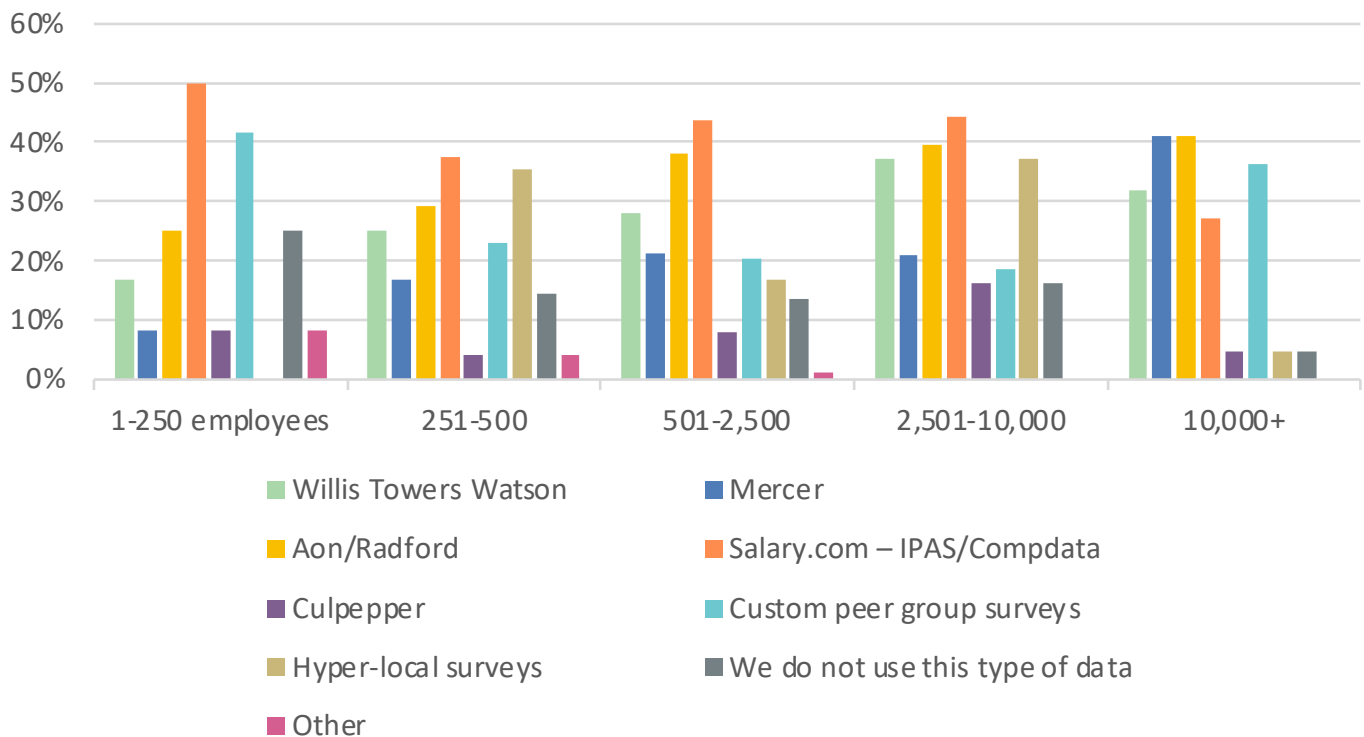
Figure 6: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

A FEW THINGS OF NOTE IN THIS ANALYSIS:

First, the "Other" category was quite robust in this response. While some of these sources are used extensively, it's clear that there is intense fragmentation in this space (translation: lots of vendors and data sources employers can tap into). These include everything from Glassdoor to Deloitte, local SHRM groups and even industry-specific peer surveys.

The takeaway on this is that a specific salary survey that fits your own needs probably already exists, even if you're in a unique industry, smaller company, or have specialized jobs.

For instance, one firm we talked with in the research is in the concrete and cement industry, and they use both an industry association salary survey as well as a regional survey to narrow in on their market pricing activities.

This year one of the changes we saw from our last analysis is a shift in the number of small firms (1-250 employees) that said they were not using any data—that number dropped to just 25% of employers in that size, and in our previous research we saw that number up over half of employers. In other words, even the smallest firms are getting smarter about using data to support hiring and other related decisions with compensation data.

While that's a positive move, it still is a bit chilling to consider that if we lined up business leaders from four different firms, each employing 200 staff each, one of those four leaders is **using no salary survey data** to justify and support ongoing compensation decisions.

While it's alarming to see it in those terms, it's also a call to action. It's time to step up as compensation professionals and create that structure, build the right business case, and deliver value to the organization in the form of insights and support.

Buyer Tips: "What data source is best for my company?"

As you can see in the research, there's not one single "best" provider for everyone. Small companies typically can't afford a Mercer, Aon, or Willis Towers Watson subscription, but larger firms need more diversity than a local, regional or association-driven survey can offer. When shopping for data sources, ask peers at other industry firms what they use—this can give you a starting point. Also, when talking with data vendors, try and match up your industry, key jobs, and locations with the data they have; you don't want to purchase a salary data set that doesn't cover your key roles. There's nothing wrong with starting with a smaller provider (as long as they have enough data to be credible) and working up from there as you become a more comfortable, confident buyer. Also, most compensation technology providers have sources of data you can access, either as part of your subscription fee or through a partnership with a recommended provider.

Clearly larger companies use more data sources and more types of data sources than very small companies. Even at the largest sizes, though, nuances like custom peer group surveys are still used by approximately one in five organizations to help get more specific views on industries, jobs, and other types of data. In the largest enterprise organizations (10,000+ employees) we saw custom peer group surveys jump from 25% to 36% compared to our last data set.

For reference, custom peer groups allow employers to compare themselves to a hand-selected group of firms to understand how they stack up. Many times, surveys in the compensation space are based on region, job type, or industry. A custom peer group could allow the forward-thinking manufacturing firm to compare their rates against technology companies or other types of firms that they want to benchmark against.

At both the largest firms and at globally distributed firms (side note: large firms are almost always globally distributed, but increasingly we find that globally distributed firms are not always large), **Willis Towers Watson, Aon Hewitt, and Mercer are the most-leveraged data sources.** This is due in part to their global survey data and reach, but it's also often part of a larger compensation consulting relationship where data, service, and technology go hand-in hand to support the complex compensation needs of a global firm. For instance, one firm we interviewed in the automotive industry with nearly 10,000 employees is leveraging one of these broader relationships to get both data and service to support their unique industry and job roles.

This year, HR-reported aggregate market data actually overtook salary survey data as the most accurate, according to the survey audience.

What hr-reported aggregate market data sources does your company use? (select all that apply)
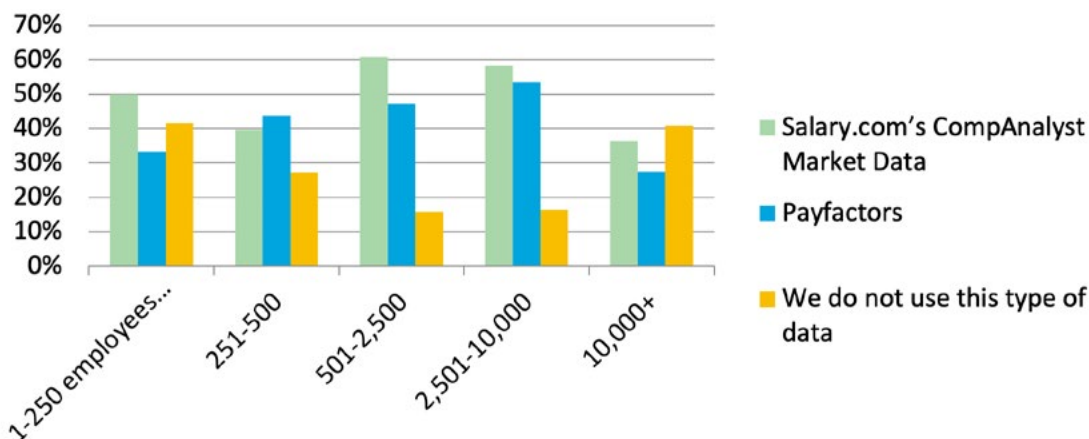

Figure 7: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Use of HR-reported aggregate market data is most common in mid size firms (250-10,000). This group sees a combined 70 to 90% of firms using some form of HR-reported aggregate data. The largest and smallest organizations we surveyed are not using these sources of information for supporting pay decisions more than half the time.

This is similar to what we found in our previous analysis, but there is a visible change in overall usage that clearly stands out, as the image below depicts.

HR-Reported Aggregate Market Data Usage Over Time
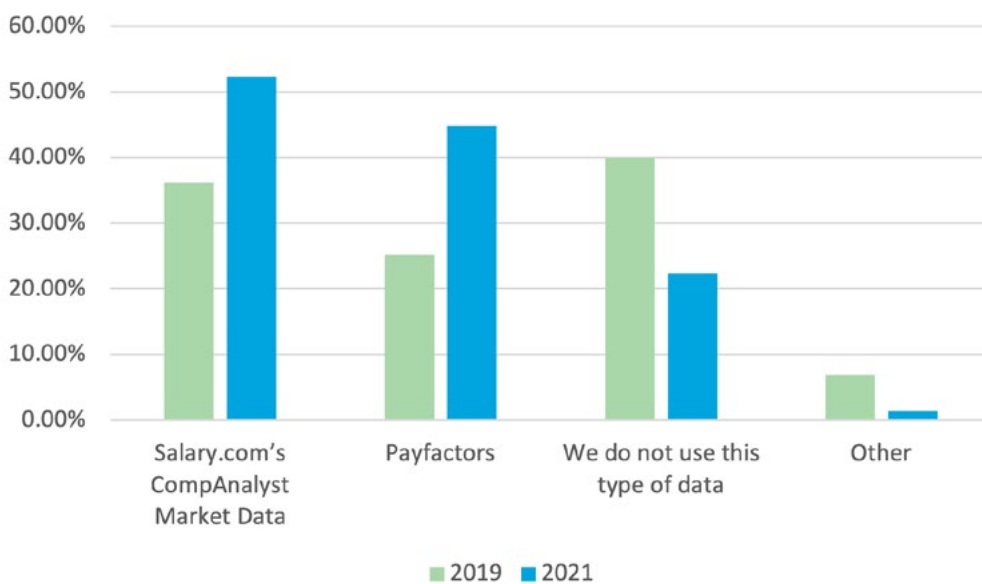
Figure 8: 2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

Since our last measurement, usage of this type of data has gone up measurably. In one interview with a mid size firm, the head of compensation explained that this type of data gives them confidence in pay decisions and enables them to quickly make a decision. Because the data points are establish based on multiple sources, they seem "pre-validated" to use that compensation professional's language. That enables faster decisions from a talent and business standpoint.

Two of the providers serving this space are **Salary.com** and **Payfactors**, both of which we'll cover in the Landscape section at the end of this report.

Anonymous Data as a Tool

One of the pieces of salary data that is a little less clear-cut is employee-reported data. This information is gathered on a variety of websites, and thousands of data points are aggregated to create an average price for a job in a specific market.
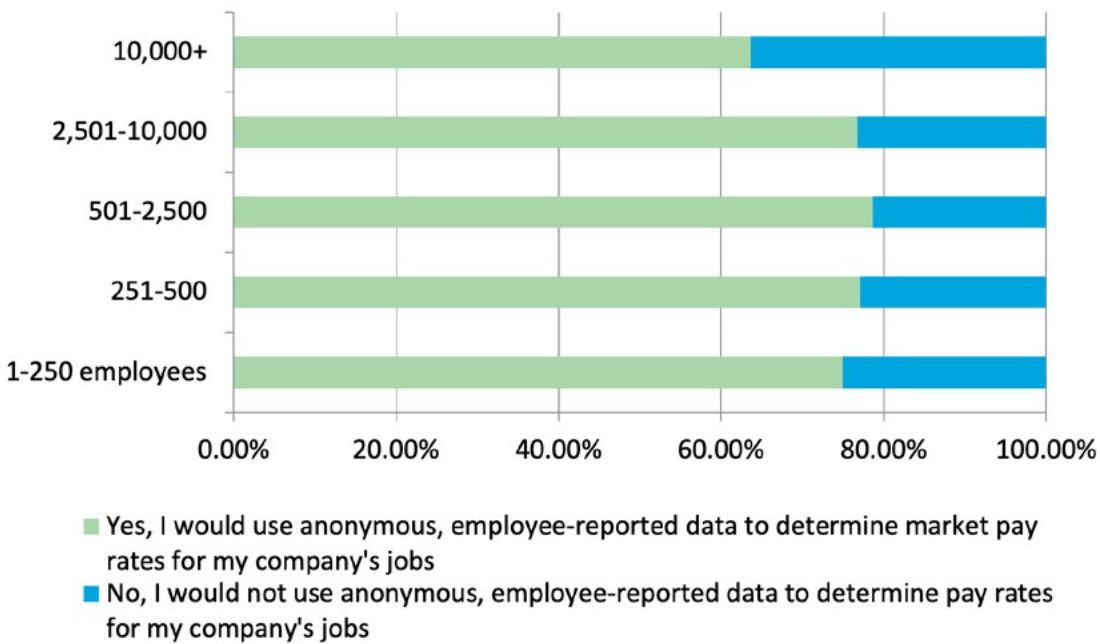

Figure 9: 2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

This year, the number of companies that are open to using anonymous, employee-reported data jumped to an unprecedented height, and the gap closed between small and enterprise firms in terms of their comfort with this type of data. Last time we did this research, we found a 50/50 split in terms of overall comfort with using anonymous data. Now that split looks more like 75/25 in favor of this data as a source of compensation intelligence. While this should not be the only source of information when pricing jobs, it's clear that more talent and compensation leaders are open to leveraging any data source that gives them a closer approximation of the right price for the right job at the right time.

The leader in the area of employee-reported data is PayScale. We'll cover more about their approach to this data source in their profile in the Provider Landscape portion of this report.

Buyer Tips: "Is employee-reported data right for my company?"

Using employee-reported data isn't a negative thing as long as you keep the value in context. This should be a reference point in your decision, not the only deciding factor in a pay rate or range. Smaller companies more often utilize free sources (including employee-reported data) because they can't afford more expensive data sources and because there's less risk at a company with 50 employees than one with 50,000 employees. If you're market pricing a job, feel free to use employee-reported data in your calculation but don't let it be the only consideration.

How Employers Would Use Anonymous Data in Compensation Pricing by Company Size
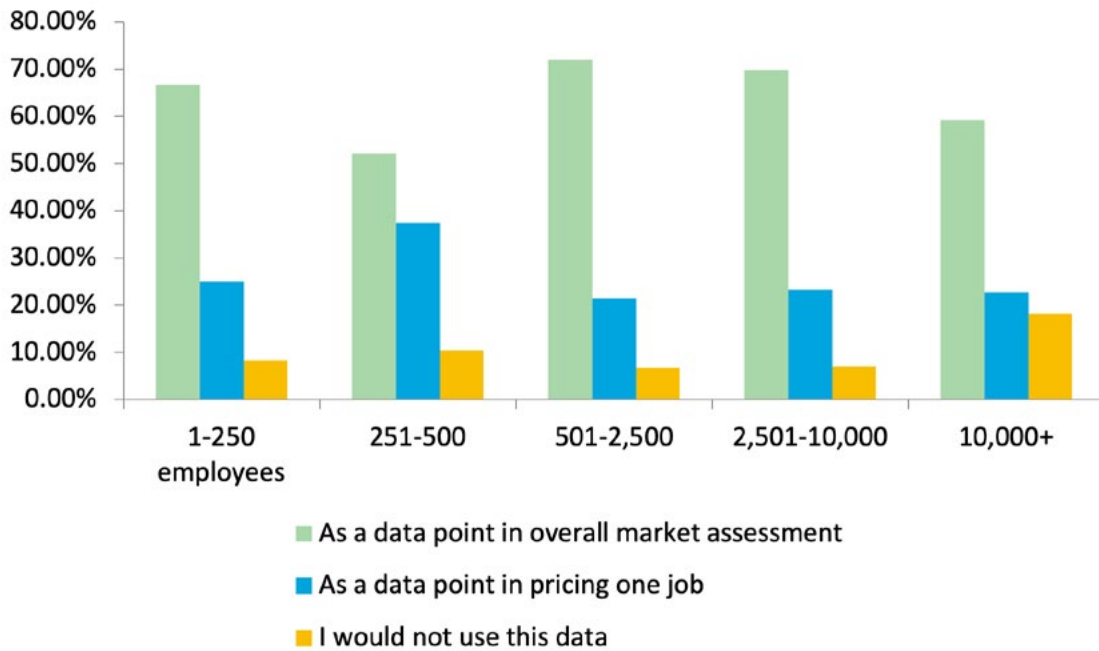
Figure 10: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

As you can see, as we move to the right side of the chart, larger employers are generally less likely to rely on this kind of data for pricing purposes, but when compared to previous data, every group is leaning more heavily into this type of data source as a validation tool.

High Performer Insight

High-performing companies in this study were more likely to use every type of data they can get their hands on. Yes, in addition to traditional market data, these firms also sought out free sources, anonymous data, emerging sources of insights, and more.

Why? Because having multiple vectors helps to ensure a fair and accurate pay rate for a job offer, promotion, or pay equity adjustment. While they don't use any source exclusively, the big picture takeaway is that for high performers, more data equals better decisions.

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Emerging and Open Market Data Sources

In 2020, one of the biggest themes for employers was organizational agility. In one Lighthouse Research & Advisory study, we found that 97% of enterprise employers that are adaptable and future-ready credit their HR and talent technology as a key enabler of that agility. According to our practitioner interviews, this shift is one driver for the increase in data usage in general and in the usage of multiple data sources by every company size demographic.

In the previous version of this report, we didn't elaborate heavily on free/open data or on emerging types, as they weren't as heavily used as some of the other options in the list. However, this year that changed. And even though emerging and open sources are ranked fourth and fifth in terms of perceived accuracy, respectively, we saw that usage was much heavier for small and mid size firms than for enterprise organizations. If you're reading this and you're between 100 and 5,000 employees, you're statistically more likely to be looking at and leveraging both emerging data (mid size) and free/open data (small firms).

Both emerging and free sources are covered in the images below to provide some idea of the popularity, options, and usage overall.

Use of Emerging Data Sources Over Time
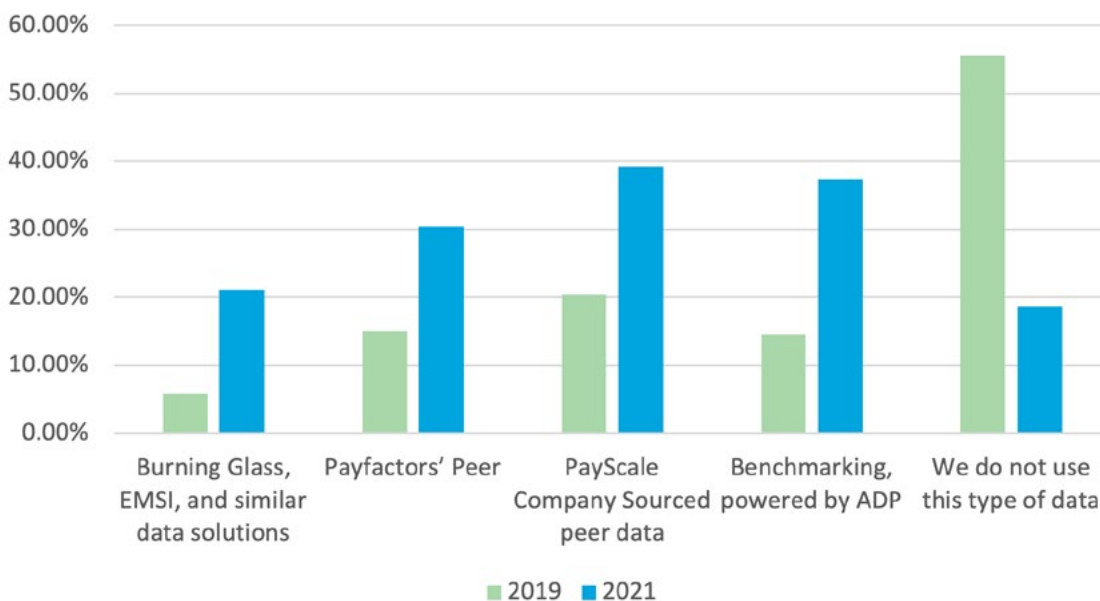
Figure 11: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

This group includes different kinds of information, from data pulled directly from the HRIS tools of your peers and shared among the group to more holistic views from tools like Burning Glass, EMSI, Greenwich.hr, and other labor market intelligence solutions. We talked with the compensation leader at a company using those types of solutions and found that they use the tools to see changing skill and pay demands in job roles based on different markets. For instance, their nurses in Atlanta have different types of skills and pay requirements than their nurses in Chicago, and the data move too quickly for a salary survey to follow, according to that individual. Because the system pulls from job posting data, it is an early or leading indicator of what's happening and where demand is going. It's not a foolproof method, but it is yet another data point in a big puzzle that compensation leaders are trying to fill.

Use of Free/Open Data Sources Over Time
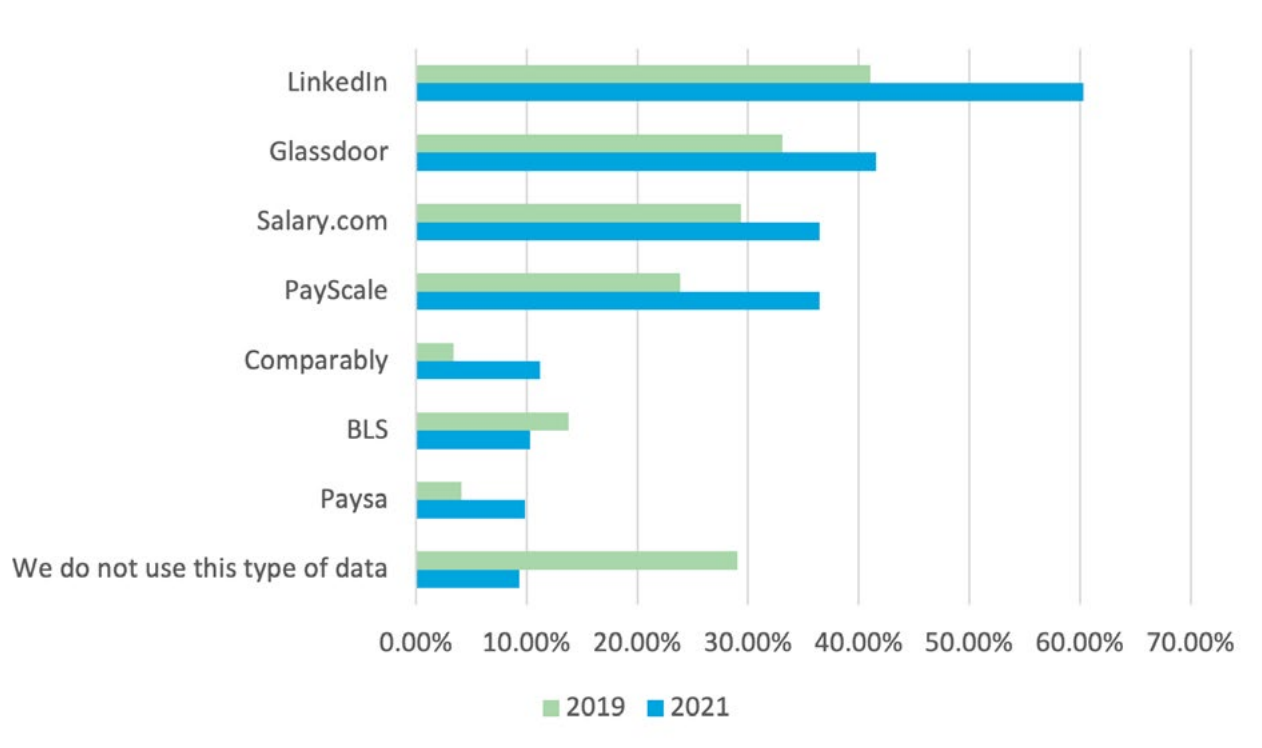
Figure 12: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

One of the common themes for SMB firms in our follow-up conversations was a need to compete with larger employers when it comes to compensation. Some of that is industry-driven (the technology space, for instance) while others are geographically driven. Whatever the cause, though, small firms are trying to leverage data to guide their decisions.

In our previous research, employers were 3x more likely to say they don't use this freely available salary data. This maturing of the market is a positive sign not just for employers, but for the workforce as well, as business leaders look at how to accurately and equitably make pay decisions.

Compensation Management Technology: The Core System Driving Pay Equity, Strategy, and More

Compensation management technology is the system where jobs are priced, salary budgets are allocated, and market data sources are stored. There is incredible demand for these tools in the marketplace to simplify and provide a more strategic view of compensation as a business practice.

In our last report, we predicted growth in this segment of the HR technology market because of factors like:

▶ New legislation in a variety of states preventing employers from asking about candidate salary history, forcing them to be knowledgeable about current market rates

▶ Pay equity becoming one of the hottest topics in the marketplace due to high profile protests and a heightened awareness around women's and minority rights

▶ Surging economic growth that, in turn, drives rapid increases in pay for specific skills and jobs

In this measurement period, **that growth prediction was shown to be spot on**, as the data in this section will indicate.

Compensation technology is designed to support these newer kinds of use cases in addition to the longstanding salary budgeting, planning, and allocation processes that every company should be doing on a regular basis. With that, let's explore what the breakdown looks like in the marketplace.

Compensation Management Systems in Use
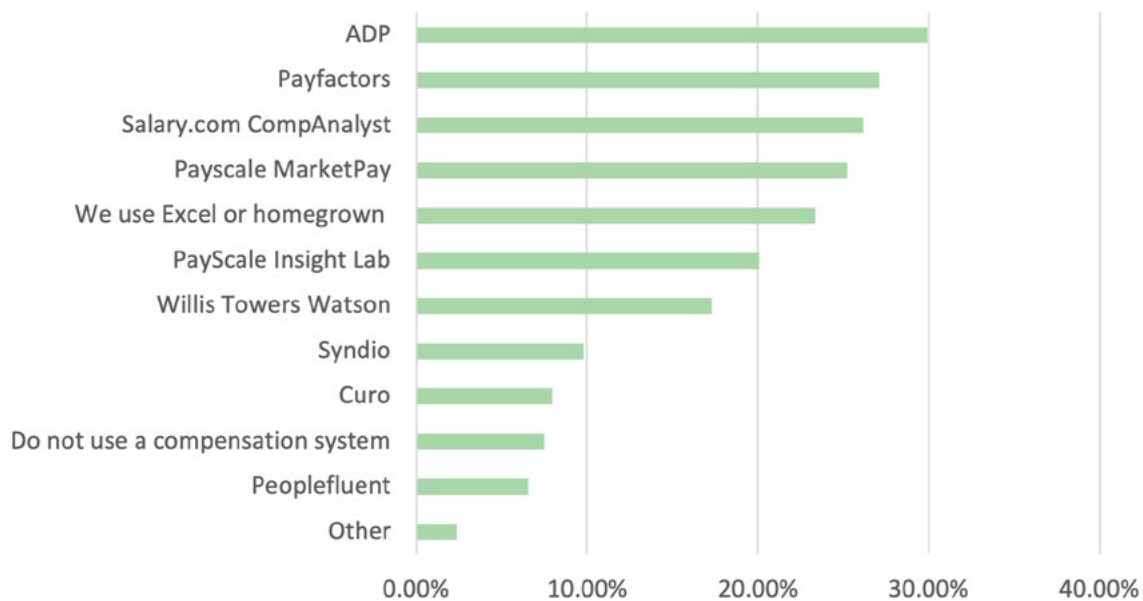
Figure 13: 2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

Three quick hits from this data:

1 Use of virtually every system increased compared to our last reporting period, validating our position that the market is growing fairly rapidly for compensation management technology.

2 Similarly, "We do not use a compensation system" as an answer choice fell by more than 50% compared to two years ago.

3 Use of Excel or a homegrown system even increased, and while that's not a full-featured compensation system like others on the list, it at least signifies more structure and governance over pay practices than we've seen in the past.

Compensation Technology in Use by Company Size
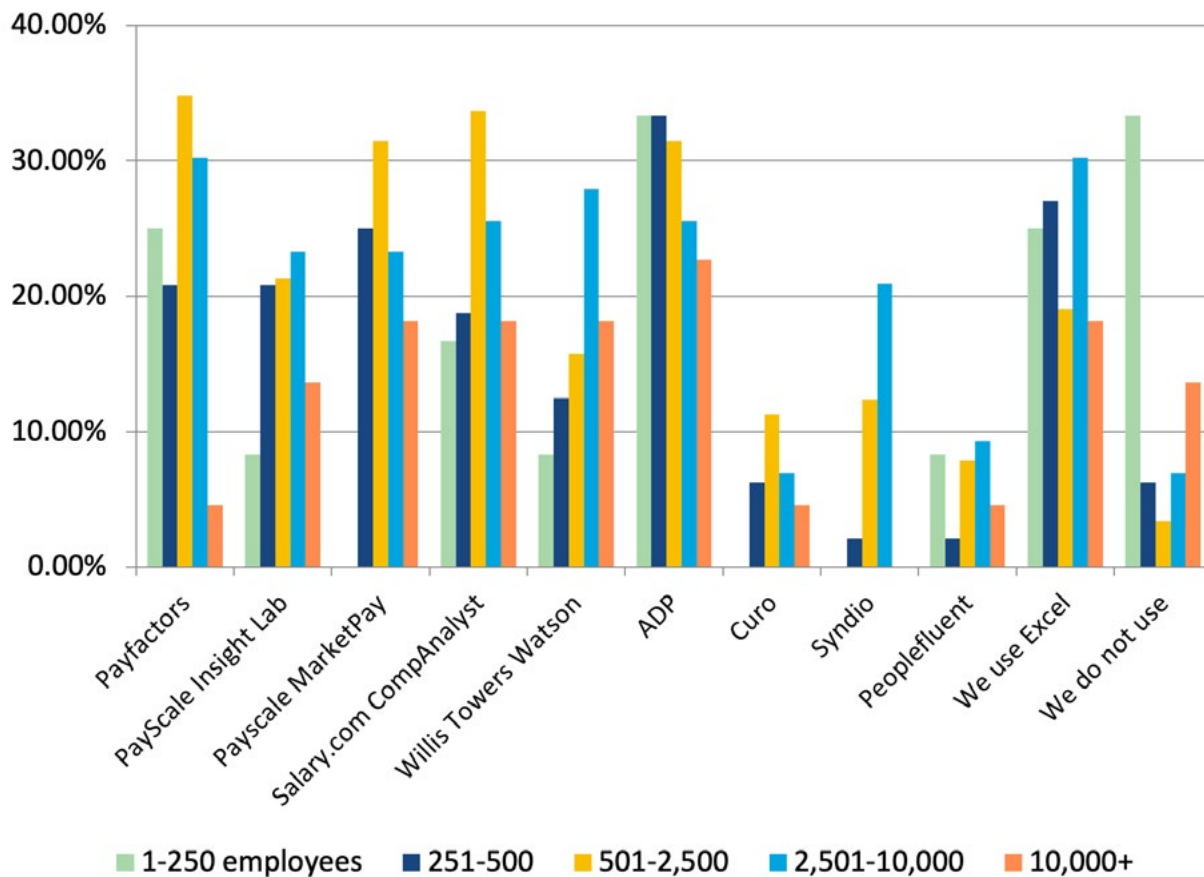
Figure 14: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

A few points to consider:

▶ This view helps to show which systems lean more toward SMB (ADP, for instance) and which lean more toward enterprise (Willis Towers Watson, for example). Others like PayScale and Salary.com are relevant across all sizes of employers.

▶ We see some of the players in the space like Curo and Syndio continuing to increase their presence in the market. Curo is European but holds multiple global customers, and Syndio's recent $17M VC funding round is likely to accelerate its reach in the space.

▶ With the recent news of the merger between Payfactors and PayScale, it remains to be seen what type of impact it will have on this landscape going forward.

▶ In our follow up interviews with enterprise (10,000+ employee) firms, we found that some of them that marked "do not use" in this section have a set of embedded compensation tools in their core HCM system (SAP, Workday, Oracle, etc.) that they use to do some of the basics around compensation management, but they acknowledged that they were not as robust as more specialized systems like those covered in this report. PeopleFluent is the only provider we met with that maintains a strong, well-developed compensation system as part of a broader HCM suite.

Buyer Tips: "What systems should I be considering?"

For those of you that aren't familiar with the companies listed here, at the end of this guide you will find our **Compensation Technology Landscape** analysis, which provides detailed intelligence on each of these companies along with their key clients, differentiators, and more.

High Performer Insight

Low performers in our study **were 50% more likely to be using spreadsheets or nothing at all** to manage their compensation function. Conversely, high performers in this study were more likely to have a piece of dedicated compensation technology in place. While this doesn't imply that having a system causes the firm to be a high performer, it correlates with the fact that high performers use more data sources and take a more intentional approach to compensation technology selection. This does imply that high performers are more strategic based on this distinct mix of behaviors and decisions.

System Tenure

One of the intriguing points in the data was around tenure, or the amount of time a system has been in place. When we break it out by provider, the results paint a fascinating picture about the potential future of the market.
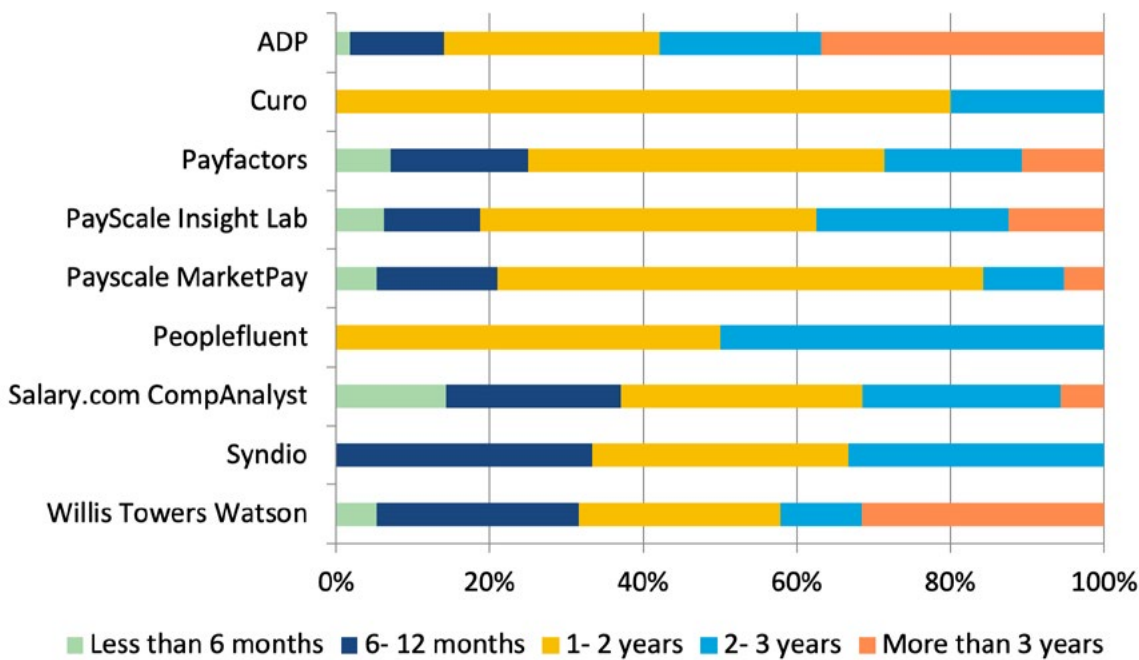
Compensation Technology Tenure (Alphabetical)

Figure 15: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

First of all, ADP's system has relatively long tenure, followed by Willis Towers Watson. This did not change since our last measurement period. What's interesting is that in the last six months, Salary.com saw increases of 14%, more than any other system, and the company's new implementation rate was 14% last time as well. PayScale MarketPay has a tremendous amount of customers in that critical 1-2 year mark, and if you look closely, Payfactors and both of the PayScale products here are very close in their tenure rates overall.

Willis Towers Watson has surged since our last measurement period and added new customers, while ADP still lags the group with new purchases but has the largest volume of customers with the longest tenure (3+ years) of the group.

Overall, this may indicate a significant shift in the distribution of providers in the landscape, but it's still early to predict how these developments will turn out.

Satisfaction: By the Numbers

Humans love ratings. Whether it's on a product, service, or experience, we like to see and give ratings. The compensation software space is no different. We asked users of these technologies to give us some insight into their overall satisfaction rating. The average for the industry is 7.0 out of a 10-point scale, which isn't bad for enterprise software.

In our last report the gaps between systems were much smaller between providers, though. At that time the range was somewhere between 7 and 8 on the 10-point scale for each individual provider. This time we had numbers down in the 6 range and one even broke the barrier into 8+. Still, all of them fall within two points on the satisfaction scale for the overall distribution.

Average Compensation Technology Satisfaction Ratings by Company Size Over Time
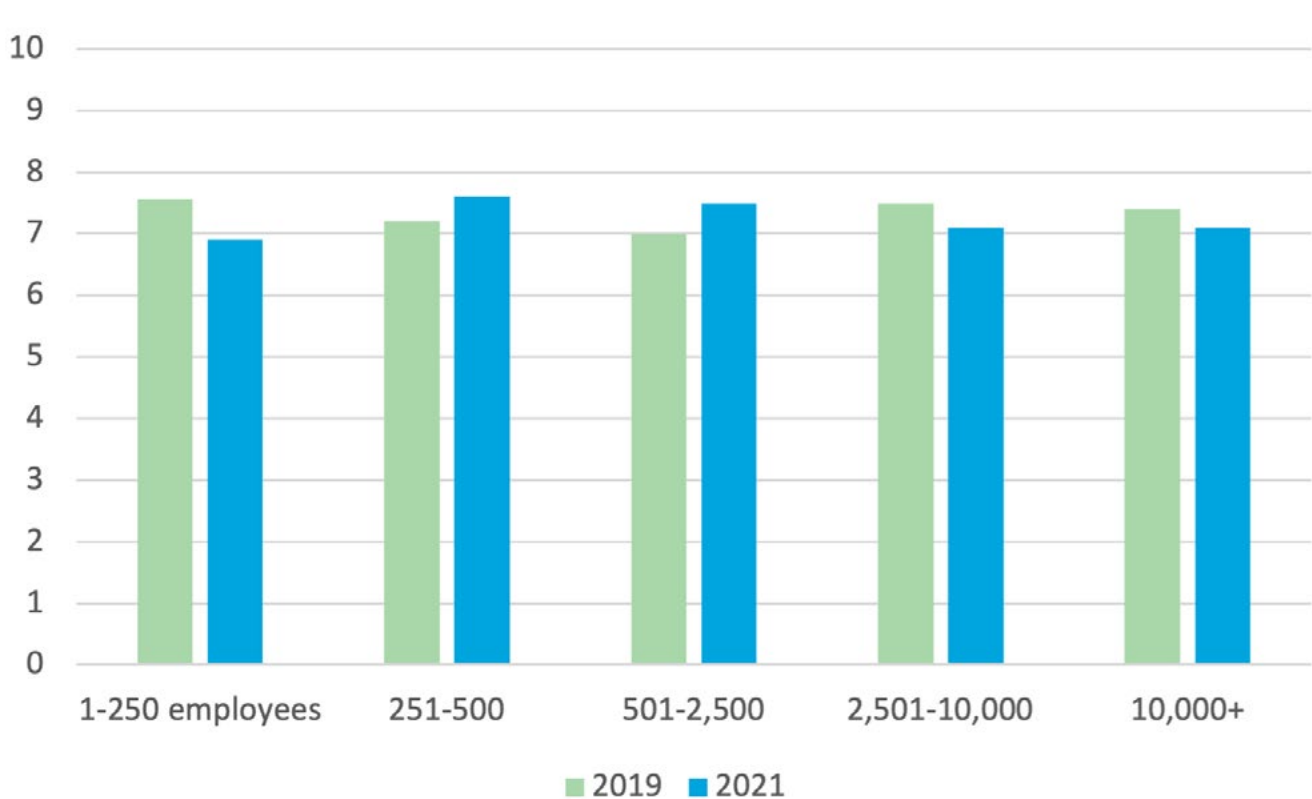
Figure 16: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

In our research conversations with companies across all types, we have a variety of stories about expectations met and unmet. We also have the complicating factor that some companies (or individual buyers) are new users of the software and may have a different set of expectations than someone who's bought and/or used compensation technology in a prior role.

It's difficult to boil this down to a specific customer satisfaction activity or product feature, but in the rest of this section we'll look at some of the most preferred features and decision drivers for employers that need a reliable piece of technology to support their compensation planning. If you're trying to make the decision for your firm, it will help you see how others are making decisions so you can align with best practices.

High Performer Insight

The **best performers** in our research **were more likely to be satisfied with their compensation technology** than the average firm. In our estimation, this is caused by the confluence of several factors, such as the fact that high performers are more deliberate about system choice and leverage more diverse teams in their selection processes.

To take it to a deeper level, let's examine the specific features that are driving system choice. A broad list was provided for employers to select as the most important pieces for system choice, and they were ranked in terms of "critically important," "somewhat important," and "not at all important." Those ratings were weighted and sorted and are available below for review.

Note that each column represents a different segment of the respondents in the survey: "Current Users" are those rating the reason they picked their current system, "Reason for Changing" reflects the drivers of the decision to switch providers/systems and "First-Time Buyers" are those ranking the factors that would matter most in their selection process.

Top Five Factors in System Choice, Ranked by Audience

	Current Users	Reason for Changing	First-Time Buyers
1	Data quality and accuracy (-)	Quality of customer support provided by the vendor (+9)	Cost (+2)
2	Data privacy and security (-)	Ease of use of the system (-)	Data quality and accuracy (-1)
3	Uptime and system performance/ reliability (-)	Cost (-2)	Data privacy and security (-1)
4	Ease of use of the system (+1)	Data privacy and security (+8)	Ease of use of the system (+1)
5	Quality of customer support provided by the vendor (+3)	Ability to integrate with other enterprise software, such as HRIS solutions (-1)	Product features and functionality (+3)

Figure 17: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Note: colors are used to match responses across groups for easy analysis. The +/- figures indicate change in position since our last measurement period. For instance, +3 means a priority jumped up 3 slots on the list.

One of the points that is worth examining is cost. **Cost was way down the list (11 of 14) in terms of priorities** for current users, but it's usually ranked higher in other types of talent and HR technology selection. As you see, that shifts when a company is looking at reasons to change or as a first time buyer of a compensation system, where cost is a higher priority. When it comes to compensation, data in terms of quality and accuracy are the primary focal points for current users.

To paraphrase one of the conversations with a VP of Compensation at a firm with 900 employees: We evaluated two different systems during our selection process, and both were equally capable for our needs. However, one of them had a better connection with the data sources we use, know, and trust, and that's what ultimately swung the decision in their favor, even though they cost us more every year.

The **top three priorities for current users did not change at all** in the last two years since our last report.

One other point we can't ignore: we saw service and customer support come onto both the current and changing groups for the first time (jumping all the way to number one as a priority for those switching providers/systems). This fact, combined with the broader variations in satisfaction ratings, indicates higher expectations of buyers when it comes to their compensation technology. A vendor that doesn't back up the product with high-quality service will see their clients moving into the "looking for a new system" crowd fairly quickly.

Taking in the overall picture, it helps to think about these three groups of individuals this way:

- ▶ Current users: I just need it to do the things I bought it to do
- ▶ Changing systems: I'm not getting the support I need to do the things I need to do
- ▶ New buyers: If I'm going to buy, it needs to make sense financially

Beyond the basic decision points, though, we also explored the types of features that were most and least loved by users.

Most Valued Features of Compensation Systems Over Time

Self-service reporting, analytics, and BI tools
Robust and accurate market pay data
Salary structure creation and modeling
Workflows to market price jobs against market pay data
Budgeting, modeling, and planning
Manager tools for overseeing budgets
Data privacy and security settings
Tools for performing gap analyses
Tools enabling streamlined salary survey participation
Tools that enable pay communication
Job description management*
Other

0.00%   10.00%   20.00%   30.00%   40.00%   50.00%

■ 2019   ■ 2021

Figure 18: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

*Job description management is a new feature we included as more and more systems are incorporating this into their capabilities and more employers are expecting to see that in a system.

For instance, in one interview, we spoke with the head of HR for a firm establishing their first compensation system. One driver of the decision was job description management capabilities tied in with the system, enabling them to solve multiple problems with a single purchase.

Beyond that, when talking with compensation professions in the research, one of the most common reasons for adopting a new system was to get more volume and accuracy in market pay data. That comes from various sources, but it's often acquired through salary surveys. The data are then used to market price internal jobs. Not coincidentally, those are the top three features that users are most satisfied with.

This year, satisfaction rates hovered around 30-40% for data-related features, while features related to managers (communications, budgeting, etc.) rose in importance relative to last time.

Features dissatisfied
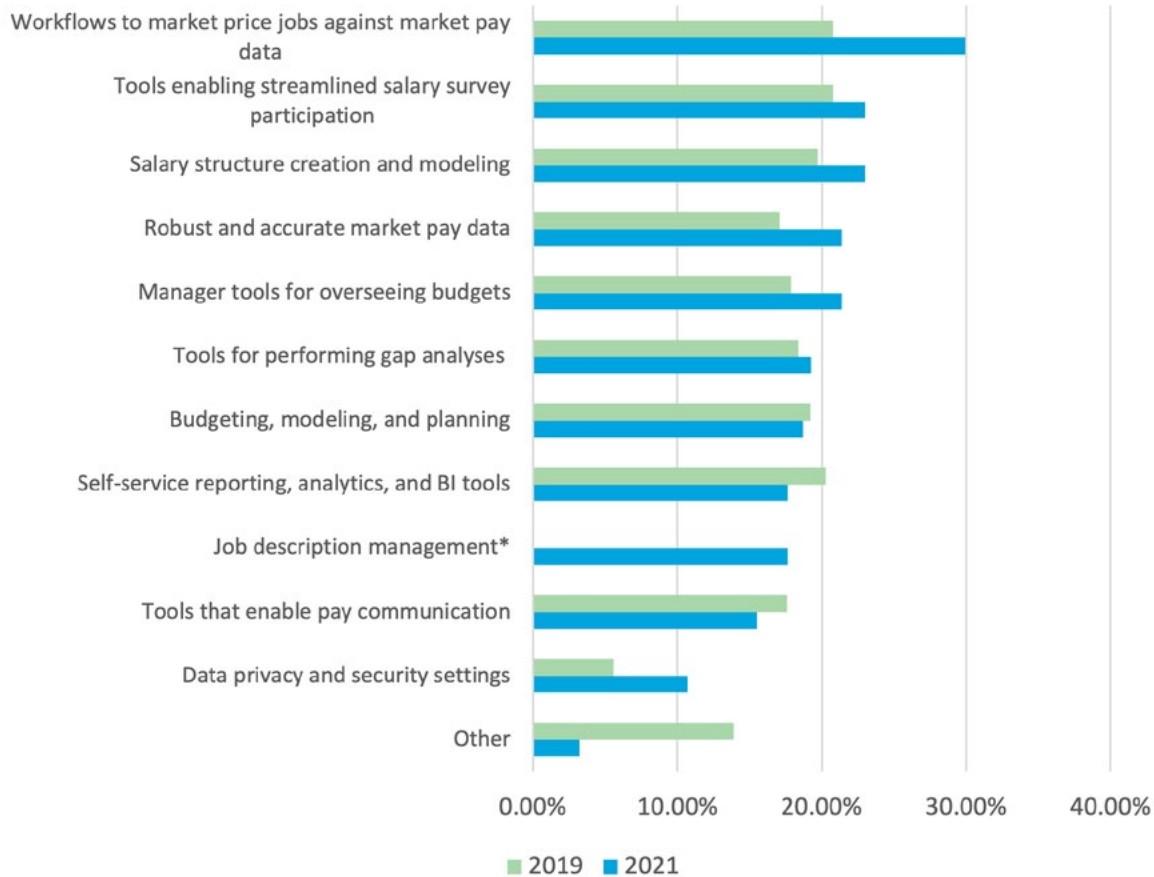
Figure 19: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

While this is a complete list of options that users are dissatisfied with, there are a few important things to realize here:

1   The responses barely crossed 20%, even for those features users were most dissatisfied with, which just goes to underscore the broad average user satisfaction with the category.

2   Many respondents chose "other" for this question, noting that they were satisfied with the system and did not have any issues to report. This is highly uncommon with most talent and HR system surveys.

3   The biggest complaint is around being able to market price jobs against data. As more employers are leveling up in their use of compensation data, that is a natural expectation to run into that challenge.

Buyer Tips: "What features should I care most about?"

In our research interviews, we asked each compensation professional about "sticky points" in their processes. Nearly all mentioned market pricing jobs, managing various survey data sources, and reporting/analytics, and each of those showed up high on the list here as well. It's likely you face some of those same challenges, but you may also have specific nuances that make your business unique. Think about the tasks you work on in the average week, month, and year. Are there any that stick out as specific pain points you could solve or support with technology?

For instance:

▶ If your comp team has a weekly report it shares with the executive team, can you get the data you need quickly and or do you need 24 hours to make a request for the information from your provider?

▶ How much time do you spend responding to salary survey data requests? Would tools that help with that process add value for you, or is that something you could live without?

▶ Are you in a building stage, adding a lot of jobs and doing a significant amount of market pricing for new or different roles, or is your company's growth fairly stable, needing only periodic adjustments?

Each of these questions are simply examples, but different firms will answer them in a variety of ways that directly influence how and what they need in terms of technology support. As you look at the types of features and differentiators each compensation technology provider offers, it's important to know that each has strengths in different areas. It's up to you to know which areas align with your needs.

The next logical step once we understand the most and least loved features is to examine the likelihood for users to select a different system. In the previous table describing reasons for changing systems, we provided a bit of insight into the mindset of someone making that decision, but overall it turns out that users are much more likely to be looking at changing systems than in our previous report.

Likelihood to Change Technology Providers Over Time
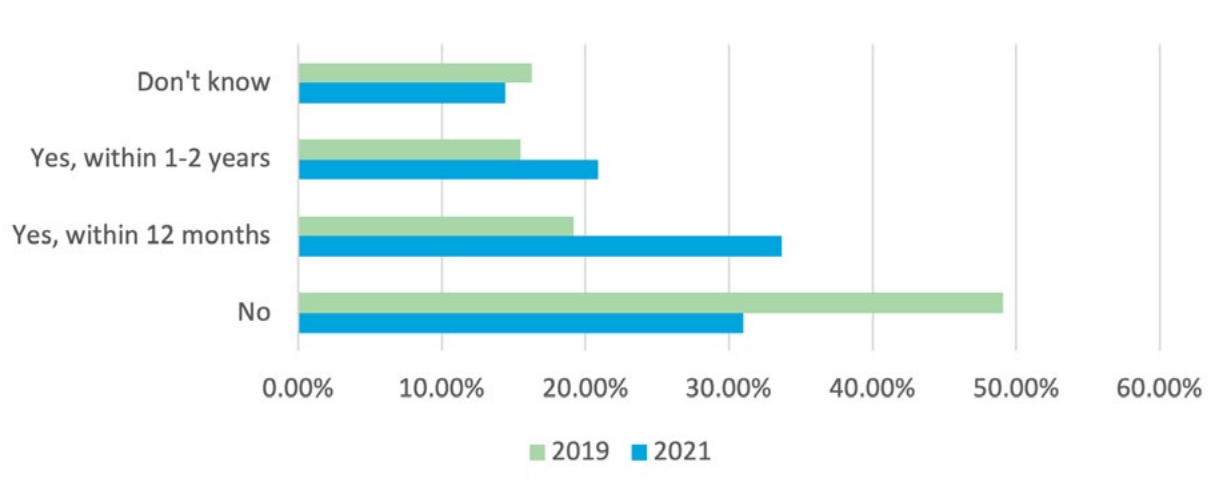
Figure 20: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

The number of employers expecting to change systems has risen sharply. **More than half of employers using a compensation system are planning to make a change in the next 12-24 months,** which signifies a massive shift in the space. About a third have no plans to change, so it's critical for providers in the industry to really prioritize those things we've outlined that are driving those decisions to switch providers.

That's also a reason this guide is so powerful for employers like you—it offers objective insight into what your peers are thinking about during their purchase decision so you can take an informed and methodical approach, whatever your plans might be for the immediate future.

Changing Systems, Desired Features, and Selection Teams

Nobody likes the process of changing vendors, but there are times when it becomes necessary. Perhaps the system you've been using isn't as easy to use as it once was.

Maybe you have experienced rapid growth, pushing you past the capabilities of the prior system. Or maybe you've been hearing from your compensation peers that their system is "the best." Whatever the case, switching systems comes with a distinct set of challenges. Not only do you have to go through the selection process to evaluate the right provider, but you also have to touch on the internal change management components inherent in this sort of decision.

Within this section we examine how many employers are planning to change their systems (hint: over half of companies are planning to switch systems sometime within the next 24 months), the top reasons for switching, how compensation pros are building out their selection teams, and more.

Plans to Change Compensation Technology Providers by Company Size
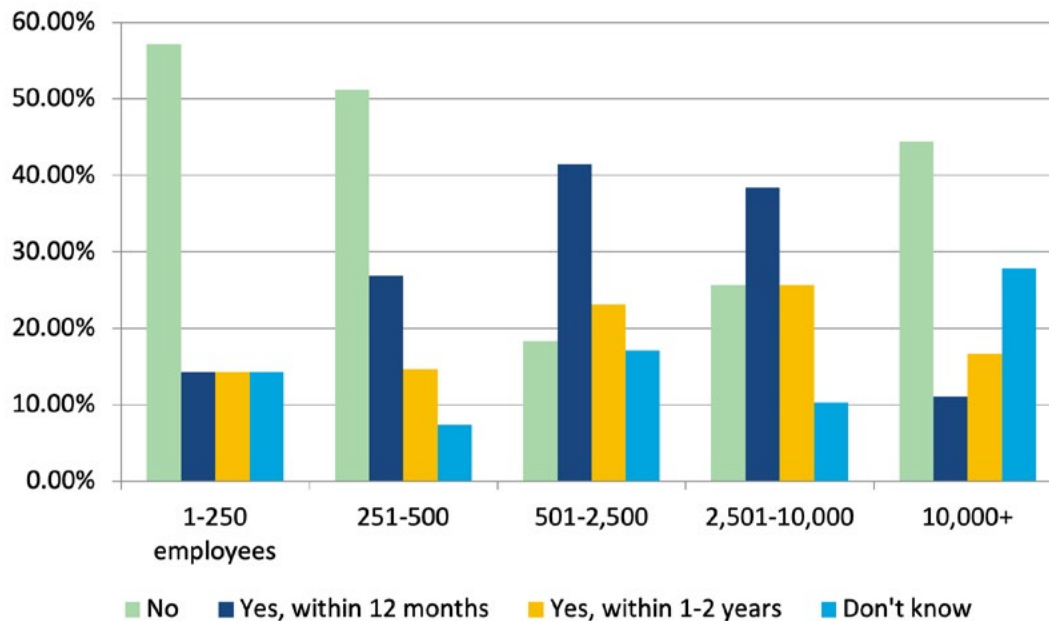
Figure 21: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Overall, firms in the mid size categories (501 to 2,500 and 2,501 to 10,000 employees) are much more likely than other firms to be considering a change in the next 12 to 24 months. They are about 4x more likely to be making this decision than an employer in the 10,000+ or 1-250 categories.

In terms of what's specifically driving these decisions, the image below makes it pretty clear what the primary focus.

Ranked List of Reasons for Changing Systems Over Time
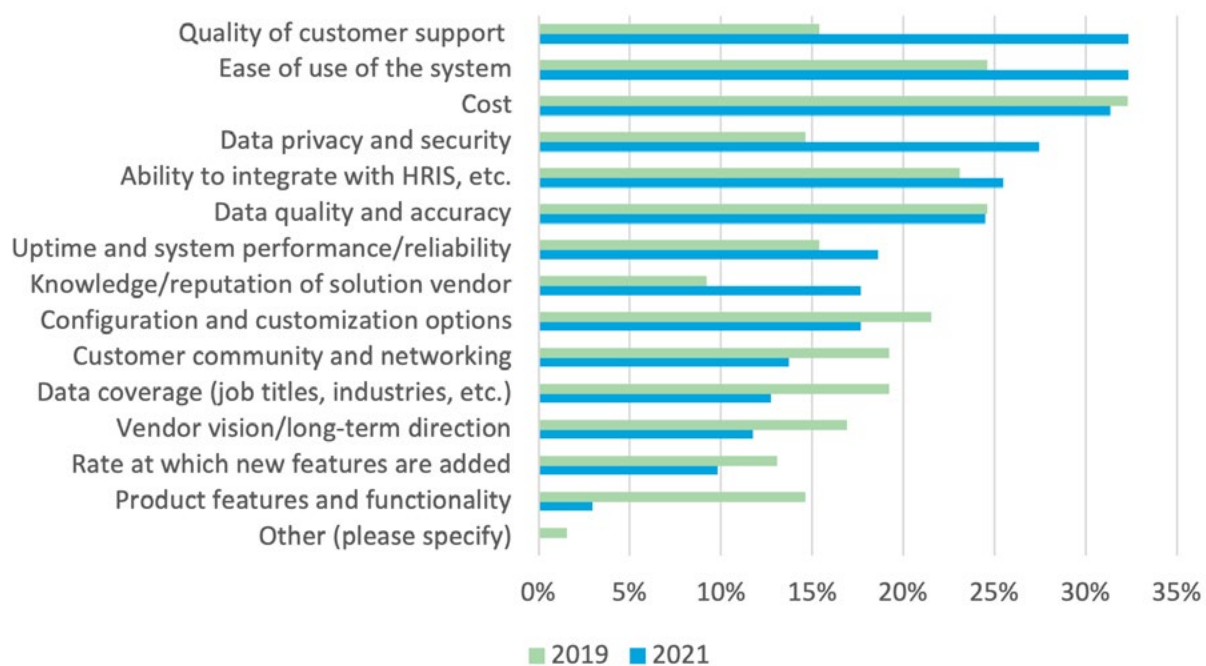
Figure 22: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

As we saw earlier in some of the data, customer support rose dramatically as a reason for selecting or changing systems for the first time ever. A few other major changes:

▶ Data privacy/security: as more state and governmental regulations come into play around data privacy, this is an area of heightened awareness for employers.

▶ Ease of use is always a perennial favorite, but it still rose significantly from last time, indicating a more savvy buyer that wants a more modern look and feel.

▶ Product features/functionality fell as a driver for systems changes, which seems a bit odd. In our follow up interviews, we've discovered that many of the tools have the capability to support "the basics" that employers need, but the other areas like support, cost, ease of use, etc. are still lacking in some cases.

Because high-performing firms do not see budget as their primary hurdle to purchasing technology, this brings us to an intriguing intersection. Cost isn't a strategic reason to make a change in providers, it's a very tactical one. In addition, when reviewing the profiles in the provider landscape section at the end of this report, it's clear that each provider has a variety of differentiators and capabilities that set them apart and help them to serve specific segments of customers more easily.

Put simply, switching purely based on cost means you are going to give up some capabilities that you have today, because every single provider has different strengths.

Features and functionality are not just something under the purview of compensation professionals, because other stakeholders will likely need information from the system in the form of budgets, reporting, and so forth. Making a decision solely based on price is a recipe for dissatisfaction over time. Instead, compensation leaders should be looking at the other elements described above, such as ease of use, service, or data security. Those elements are strategic components of how the system can be utilized, and it's important to have the right stakeholders in the decision-making process to ensure a comprehensive perspective throughout the selection.

Selection Team

Legend: ■ 2019 ■ 2021

Categories: HR/Compensation/Rewards, Legal/Compliance, Recruiting/Talent, Key Line of Business Stakeholders, CIO/IT, CFO/Finance, Payroll and Benefits, CEO/COO
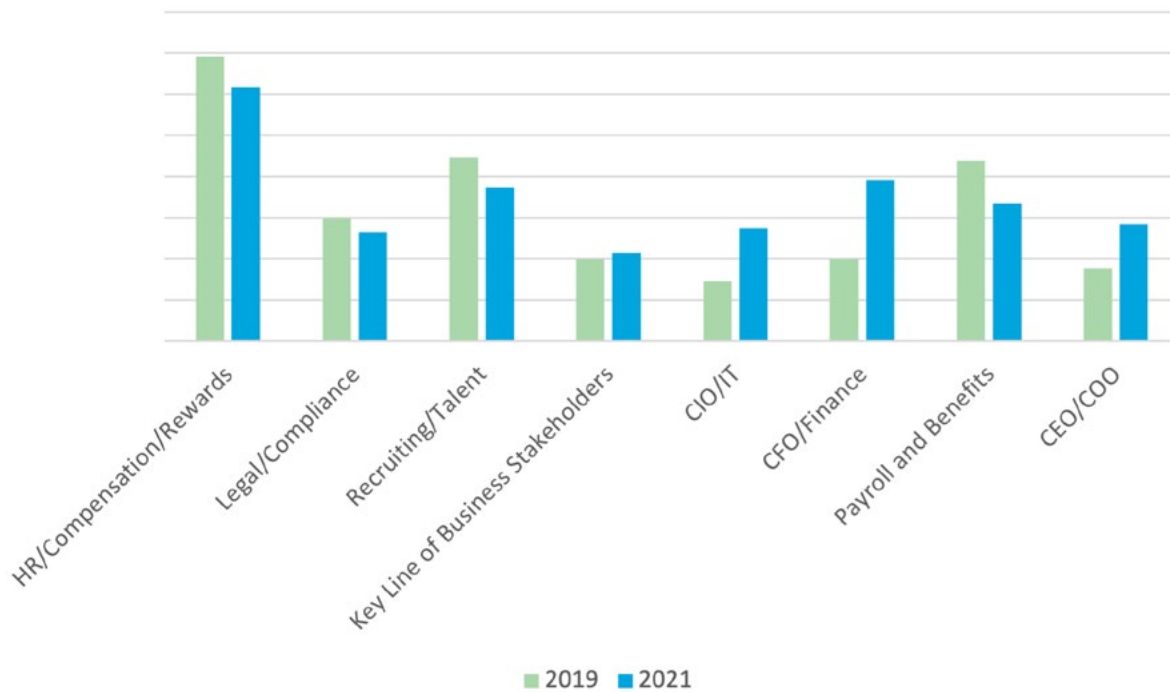
Figure 23: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Respondents could choose any number of responses they liked, which led to some interesting distributions here. This time, we see finance and IT playing a bigger role (relative to last time). Companies in this measurement period are twice as likely to bring IT and finance into the conversation, which in some ways aligns with the data privacy/security requirement driving some companies to change vendors.

High Performer Insight

High-performing companies not only look at technology selection as a team effort, but they **build more diverse teams than the average firm.** Having this broad mix of individuals, perspectives, and values on the team helps to ensure that the system and its impact on the business isn't relegated solely to the compensation team. Hiring managers, executive leaders, and other stakeholders need the insights compensation teams create, and high performers make sure those stakeholders are involved in the decision-making process for technology selection.

Buyer Tips: "How do I build a selection/buying team?"

Whether you realize it or not, your company has a specific process for buying a piece of software already in place. In many cases, HR or compensation professionals are influencers of a decision to purchase, but they don't hold signing authority. That's why it's critical to start building the conversation with every potential stakeholder early: finance, IT, legal, procurement, executive leadership, etc. By beginning conversations with these parties within your organization at the time you identify the need versus after you have selected a system, you can shorten the time needed to get approvals and ensure their own needs are considered during the buying process. For instance, IT is going to care about integrations and security, whereas executives care about reporting and analytics. Keeping their needs in mind during the early conversations can lead to better outcomes and higher satisfaction not only for compensation leaders but for the rest of the business as well.

One CHRO we spoke with in our research was working on gaining buy-in for a new system to be proposed to the board. He knew that two of the key enablers of that decision were IT and Finance, so in advance of the meeting he met with each of those department heads separately to gather input and adjust his proposal to meet their risk and return thresholds. In his company's case, Finance was always looking for a specific return on investments and they worked with him to calculate the impact, whereas IT was more interested in security and integrations with existing software, and they worked together to investigate those options to their mutual satisfaction.

When it came time to propose to the board, both other department heads quickly stepped in with their support, ensuring a speedy approval and fast-tracking the project through the required workflows. This CHRO firmly believes that if he had not done the prework needed, he would have been left with a 50/50 chance that the project was never funded at all. Thinking about a selection team as a strategic exercise in communication, influence, and change management is critical for project success.

First-Time Buyers and the DIY Compensation Phenomenon

One thing you can be sure of when talking with a compensation pro: **they love their spreadsheets.** Systems can make sorting and matching jobs easier, but being able to navigate and edit on the fly within a spreadsheet is something that compensation professionals seem to enjoy more than the average professional. Why? This is partly because their job is heavily focused on data analysis. It's one thing to replace your recruiting system or your training system with a spreadsheet (too many actual tasks to make that work) versus compensation which is highly analytical in both day-to-day tasks as well as big picture pricing and job matching.

While some smaller organizations (<250 employees) can get by with a spreadsheet to manage their compensation process, **many of the firms we talked to in the 500-1,000 employee range were feeling their limits or already beyond them.**

And one firm we interviewed with about 1,200 employees said that while spreadsheets had been their go-to during a rapid growth phase of the company, they were settling into a more structured approach to compensation, merit increases, etc. and were getting to the point where it made sense to acquire a dedicated system to support a more structured compensation function. In fact, we talked with multiple firms in the 200-300 employee range that were using purpose-built compensation technology to support their needs and reaping the benefits of better, faster, and more accurate compensation decisions.

BUILDING A BUSINESS CASE AND GETTING BUY-IN

One of the key ways to build a business case and gain buy-in from the key stakeholders in your organization is by identifying the key interests for each audience and developing talking points and metrics that they care most about, just like the CHRO story in the last section. The table below is provided for reference purposes but should be tailored to your own unique organizational structure and hierarchy to achieve the intended results.

Stakeholder	Interests	Communication Points
Executives	Business agility, competitiveness, ROI	▶ Identify competitors or market leaders that need similar talent and have competitive compensation practices with your own ▶ Talk with hiring managers to understand how often candidates turn down offers due to pay ranges that haven't kept pace with market rates ▶ Identify the cost of losing key employees due to pay issues and the impact this has on customer satisfaction, quality, and other key business metrics
HR Leadership	Employee retention, engagement	▶ Work with HR to understand how many employees typically leave because of pay below market rates, then extrapolate what portion might have been saved by a more comprehensive view of market data ▶ Examine engagement data for any indicators (comments, survey data) that indicate employees are looking for more compensation (including base and variable) to support the business case
IT	System integrations, security, usability	▶ Talk with your technology leaders about what security standards you should be looking for when examining vendors in the marketplace ▶ If your compensation system will need to integrate with payroll, HRIS, talent, or other existing systems, ask your IT team about those integrations and if they can join you in your next meeting with the provider
Managers	Team stability, performance, hiring	▶ Work with a group of managers to understand what data they need to make quick, but fair, hiring and compensation decisions ▶ Determine what data or formats would be most helpful for managers when building merit increase matrices for salary and bonus allocations

This isn't an all-inclusive list, but it helps to paint the picture of how you can target and communicate with the key stakeholders inside the business that can approve, support, and leverage compensation technology to get better results.

Why is this so important? Because right behind "we don't need a system yet," the biggest barrier to getting a compensation system is a lack of budget. Having the right people in your corner can help to mitigate that issue and get the approval you need to move forward.

Reasons for Lack of Compensation System Over Time
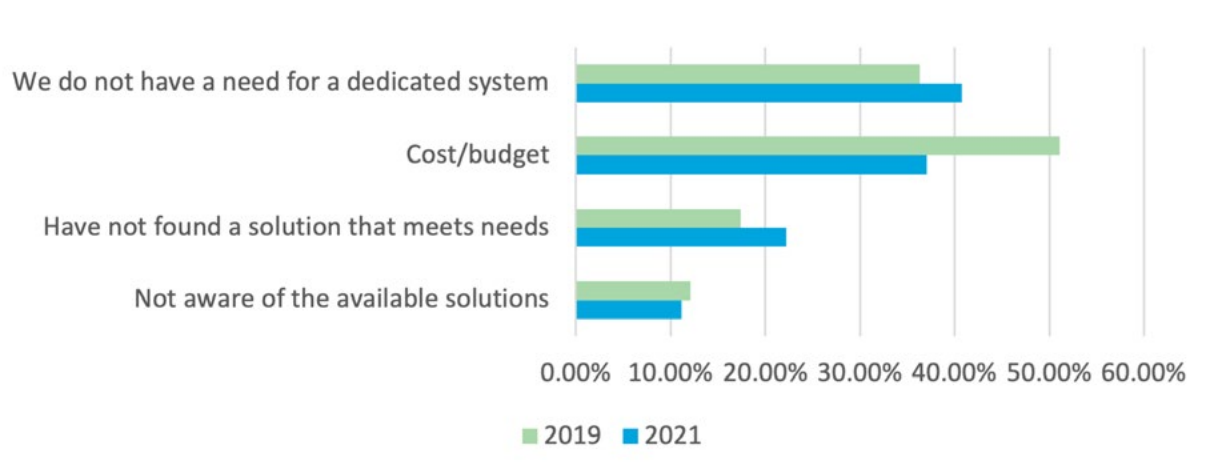
Figure 24: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Unlike last time, where cost/budget was the top choice, this time we see a general feeling from a specific group of employers that believe they don't need a dedicated system to support this process. As we've already indicated multiple times in this report, this isn't just about a place to store data. It's about being able to make rapid decisions based on objective data that enable the business to be more agile and responsive. In the last year, that requirement was more prevalent than any other in the business world.

This is the "DIY" or "do it yourself" approach in action. Some of these are smaller organizations, but even firms with over a thousand employees also agreed that they didn't need a solution or that they hadn't found the right one yet. That number drops as organizations get bigger, because there's simply no way to manage that much data without a purpose-built tool for compensation management. For reference, employers were about twice as likely to say they didn't need a system as they were to say they just hadn't found the right one yet, so there are still plenty of companies looking to join the mix when they solve for that challenge.

High Performer Insight

When high-performing employers are looking to purchase a piece of compensation technology, many things can stand in the way. However, they are more likely to say that the key reason for making a purchasing decision is because it doesn't fit their company's unique requirements (note the strategic alignment with the needs of the business). For low performers, the number one reason they have not yet selected a piece of technology is because of cost and/or budget.

Budgets are a reality for every firm, but high-performing businesses make that choice after they find the solution that fits their unique needs, use cases, and business requirements.

First-Time Buyer Priorities for Compensation System Selection
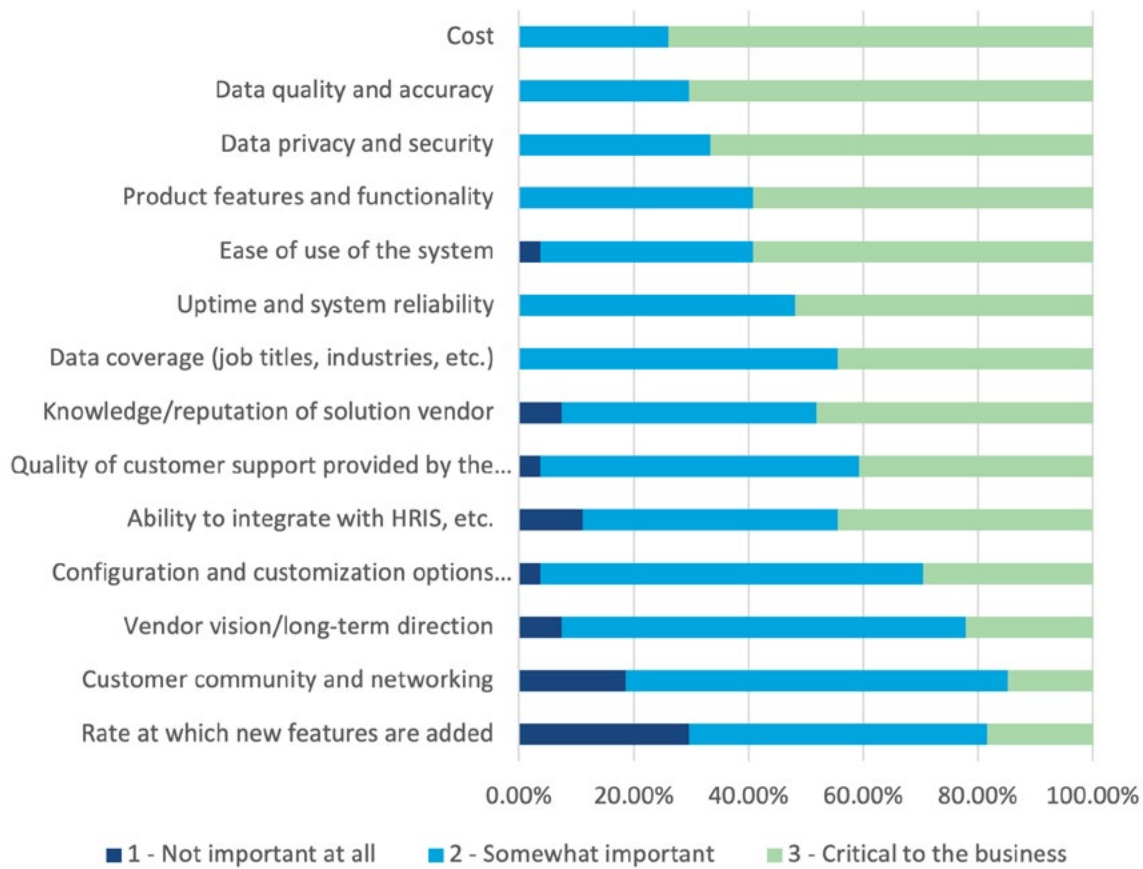
Figure 25: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Interestingly, this audience is using spreadsheets but puts data privacy and security near the top of the list of concerns. In terms of privacy, spreadsheets are one of the least secure ways to store information, which means this move to a dedicated compensation system is an attempt to rectify that.

The top five responses to this question were also featured in the table earlier in this report for comparison purposes, illustrating the similarities and differences between certain buyer groups (first-timers, those changing systems, and current users).

Buyer Tips: "How do I evaluate these priorities as a first-time buyer?"

You are a compensation professional. You know comp and the ins and outs, but are you also an expert on software? Chances are that you're not, but that's okay! If you're going to pick the right technology, it's important to have people in your corner helping you with the areas you're least comfortable with, such as security, configurations, or integrations.

There's no rule that says you can't bring in your own IT team or even a friend or industry peer at another firm as backup to help you ask the right questions and evaluate these types of things. The people that regret buying decisions most are those that go too fast or try to go it alone. Get a team around you that can help and support you in this critical decision: you'll be glad you did.

Features Most Desired in a Compensation Solution by First-Time Buyers Over Time

Robust and accurate market pay data
Data privacy and security settings
Manager tools for overseeing their budgets
Tools for performing gap analyses
Budgeting, modeling, and planning
Salary structure creation and modeling
Salary survey management capabilities
Tools that enable pay communications
Workflows to market price jobs
Self-service reporting, analytics tools

0.00% 20.00% 40.00% 60.00%

■ 2019 ■ 2021

Figure 26: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Some of these mirror what we see in experienced buyers, such as robust pay data. However, other options on this list were not top choices for current buyers, like gap analysis or budgeting and modeling.

Both of these are examples of core practices in a compensation function, but they were ranked less important for those that already have a system in place. This creates an interesting dichotomy between the features desired by existing or new buyers of compensation technology and may highlight some of the shortfalls of spreadsheets as a compensation tool.

From our research interviews, we've heard from some leaders that those needs are more of a "one and done" activity, meaning if a buyer only considers those factors for their choice, they may leave out other critical long-term needs because of a more short-sighted buying process. Take care to think about how they system might be used not just tomorrow, but also next year, if making a buying decision.

Buyer Tips: "What features do I need to prioritize in the technology selection process?"

Take ten minutes and write out the most common tasks you complete in your job, step-by-step. For instance, when market pricing a job, what is the first thing you do? What's next? What's after that?

Another way to approach this is by examining a "year in the life" in your job as a compensation professional. Do you have certain tasks you do once a year, quarterly, monthly, or daily? What are those tasks, how often do you do them, and what are the critical success factors that need to be in place to create positive outcomes?

By creating these step-by-step process maps, you will have better, more informed conversations with vendors during the selection process.

In fact, you should absolutely share those process maps with the vendors prior to any demos so they can demonstrate how the system would support those types of activities, any gaps they can't fill, and what kind of outputs you'd get.

By making the time up front to create these process maps and user personas, you will naturally create a more objective, balanced approach to system selection. At the end of the day many of the providers outlined in this report can check off most of the boxes around basic functionality. However, if it's twice as difficult and takes twice as long to do a task that you perform ten times a day, you can't give that firm the same score you give another with an easier, more intuitive process.

Not only can you evaluate the vendor on technical capabilities, but you can also see which ones disregard your comments (delivering a standard demo) and which actually take them to heart during the discussion—early indicators of the kind of service and support you might expect from the relationship.

High-Performing Firms: What They Do Differently

One of the powerful elements of our research is the opportunity to hone in on what the best companies are doing differently.

While we don't have the ability to define causation within the confines of this research, what we can do is highlight the specific set of areas where high-performing firms are standing out from the crowd. As we often say to advisory clients, while these factors may not make them high-performing, what harm is there in adopting the practices of high-performers in an attempt to achieve similar results?

In this study, we found a few key areas where high performers have practices that are noteworthy. First of all, we found that high performers are definitely more likely to be using a purpose-built compensation technology than low performers. It's at the top of our list of high-performing compensation practices below, and it's definitely worth mentioning twice.

Top Five Compensation Differentiators in High-Performance Organizations
High-performing firms are:

1 More likely to be using a dedicated compensation system. Low performers are **147% more likely** to be using no technology at all.

2 More likely to be **using every type of data source** more often than low performers.

3 Likely to be **using their compensation data and technology in strategic ways,** not just for ad hoc usage or tactical applications.

4 Much **more likely to be changing systems in the coming 12-24 months** than their low-performing peers.

5 **9% more likely to be satisfied** with their compensation system (7.8 score vs 7.1 for low performers), perhaps due to a cumulative effect of the other differentiators listed above.

Data Usage Differences Between High and Low Performers

Source	High Performers	Low Performers	% Difference
Salary Surveys	92%	82%	10%
HR-Reported Data	86%	70%	16%
Free Data Sources	76%	61%	15%
Employee-Reported Data	45%	29%	36%
Emerging Data Types	90%	74%	16%

Figure x: Data Usage Differences Between High and Low Performers

Source: 2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

Key takeaway: high performers want more data to make better decisions, regardless of whether it's a free source, HR-reported data, or plain old salary surveys. While we can't prove that makes them high-performing, it's unlikely to hurt them in the long run. More data from more sources means better, more targeted offers to candidates and better alignment of internal salary ranges with external benchmarks, especially in a fast-moving economy with rapid changes in skill demands.

Most Valued Features for High and Low Performers
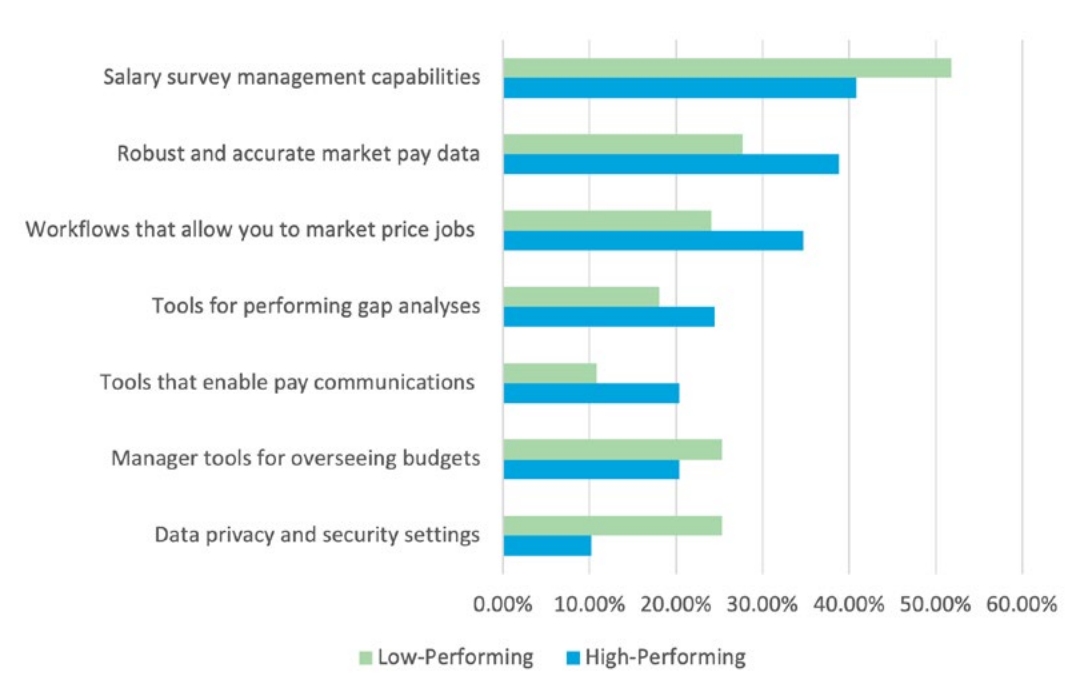
Figure 27: *2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)*

Think about this critically for a moment. If a company is forward-thinking and strategic in its use of a system like we've detailed within this report, they would not only be doing ad hoc salary surveys or merit budgeting—they would be looking at how to do gap analysis, create better pay communications, and access market data to quickly price jobs when the need arises. This isn't a major differentiator for high-performing firms, but it does help to indicate some of the more mature uses of the system apart from the more commonplace/everyday applications.

Buyer Tips: "How do I get budget approved for compensation technology?"

In our research we talked with companies from 50 to over 250,000 employees that were using compensation technology in nearly every industry imaginable. The commonality between all of them is that they were able to build a business case and get budget approved for buying a compensation management system.

The best way to accomplish this is to speak the language of those that have a say in the decision, just like when you are building a selection team. What value would compensation technology have for executives? Fewer rejected job offers, faster hires, and less turnover might be a few relevant ones that they would care about. Instead of talking about how much time it will save you and your function in the business (and the right tool can save amazing amounts of time!), focus on the value and ROI for the rest of the organization.

Our research shows that, in general, more recent implementations of cloud HR technology lead to higher employee engagement and more visibility into the operations of the business, and payback for eight out of 10 firms happens within the first year—something your own leadership team would be very interested to hear.

Plans to Change Systems for High and Low Performers
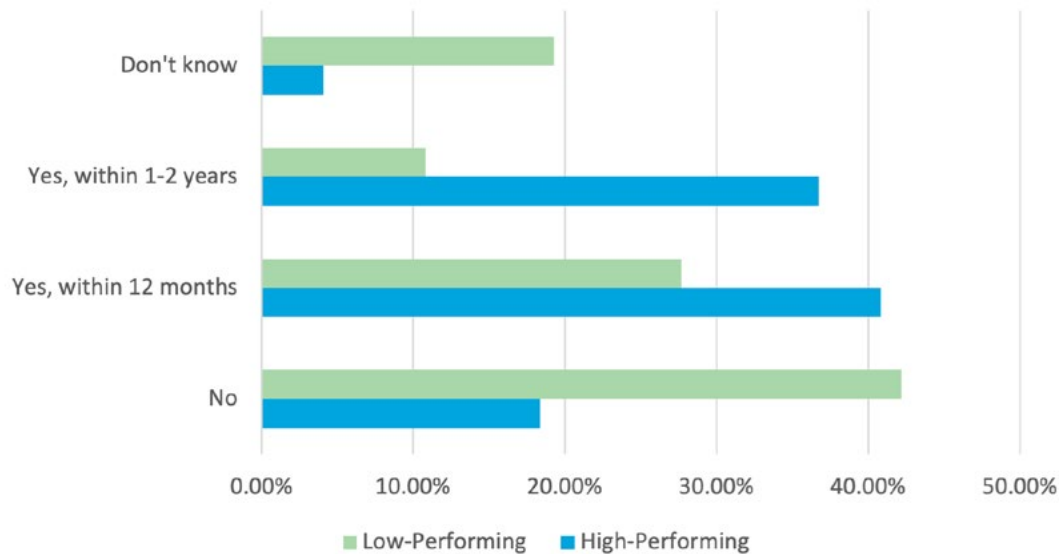
Figure 28: 2021 Lighthouse Research & Advisory Compensation Technology Benchmark Study (n=856)

High performers have higher satisfaction with their systems, the data show. If that's true and they are using the systems to support ongoing agility as an employer, then the last year's events may have shone the light on some cracks in their existing technology.

Unlike low performers, who are primarily concerned with cost as a reason to change providers **(41% of responses)**, high performers' first priorities are ease of use **(42%)** and quality of customer support **(37%)**.

In terms of selection decisions, that brings up a key point.

In our 2019 study, a key finding was that high-performing companies were more likely to bring in more diverse voices into the mix during the selection process, ensuring the system fits not just the needs of the compensation team, but of the business itself (IT, Finance, key line of business stakeholders, etc.) This may also be why high performers are more satisfied with their technology on average, especially when we combine it with the fact that these firms are more likely to hold off on their purchase until they find the one that matches their needs the best.

This year, the numbers leveled out a bit. High performers are still building diverse teams, but other firms are catching on to this best practice, signifying a growth in the importance of compensation as a business practice, not just another "HR task" like it has been seen in many organizations in the past.

Bottom line: high-performing firms have a key set of practices they weave into compensation management. Every company, regardless of industry, size, or geography, could take a few notes from these organizations to improve how they operate their own compensation practices. When athletes want to be better, they watch what the best players do and imitate them. Why can't we do the same thing within the compensation profession?

If we need to boil it down to a handful of principles, it's relatively simple:

▶ Assemble a well-rounded team of stakeholders that care about compensation to help with system selection

▶ Purchase and leverage a compensation system to its fullest capabilities, especially when it comes to strategic activities that have an outsized impact on business operations and priorities

▶ Leverage multiple sources of data to see the full picture and drive clarity in your decisions

Following these core practices doesn't necessarily guarantee that your firm will be a high performer, but why run the risk of not doing them when they are contributing to the overall picture of how a high-performing business operates?

KEY TAKEAWAYS

Thus far within the context of this report, you've taken a deep dive with us into the fascinating world of compensation technology and data. While the takeaways and lessons learned for each reader may differ, there are a few key points we believe are worth reiterating.

1 **First, compensation as a discipline and as a technology field is growing quickly,** and it has matured significantly even in the short two years since our previous version of this report. This has led to more companies looking to buy technology and hire compensation staff, each of which creates the opportunity to add additional value to the business.

2 **Second, the reasons employers select or change their compensation technology offer insights** into what is working and what isn't. It's important to know your own unique business and functional needs when considering a purchasing decision, regardless of whether it's the first system or a replacement.

3 **Third, high-performing firms provide valuable lessons** for all employers that we should keep in mind, whether it be the propensity to use more data sources or the way they build diverse, integrated selection teams. The best practices highlighted by this research can add value for any business that leverages them.

The last section of this guide is an analysis of the compensation technology provider landscape. In the following pages you will learn insights about each of the providers listed within this report as well as key features, differentiators, and capabilities of each system. Have deeper questions about the data or want to know more about which technology fits your unique situation? Reach out to our team at any time for a discussion.

Compensation Technology Landscape: Key Players, Differentiators, and More

Ask any compensation professional, and they'll be able to tell you about their favorite tools, data sources, and technologies to support compensation planning. And in our conversations with these practitioners, we came across the same set of names over and over again when asking about the top providers in the industry.

We used that list of providers we gathered to drive the conversations and demos we performed to support this landscape report, investing dozens of hours in reviewing technologies, asking questions, and interviewing customers to ensure the most accurate, comprehensive view of the market.

It's been a wild time since our last measurement, even if we exclude the pandemic from consideration. One newer provider in the landscape raised $17M to pursue pay equity analysis. Another compensation technology firm bought a competitor with plans to bring data and technology together in new ways. And we're seeing more companies than ever look for technology and data to help them navigate an increasingly dynamic workplace. This is an exciting time to be working in and around compensation, to say the least!

How the workforce gets paid is often taken for granted—after all, we've all received a check at one point or another. But the difference between running payroll and creating and managing a compensation strategy is the same difference between driving a car and designing and building one from scratch. Yes, the strategy is a key component of what is ultimately delivered, but the technology that underpins both the strategy and execution is sometimes overlooked.

And with the greater focus on data that we've seen in this year's research, it highlights the importance of having a system to build pay structures, accommodate a changing talent environment, and align compensation with ongoing business demands.

In this report, we're going to fill that gap that with a deep dive into the capabilities of today's modern compensation management tools. We examined the top systems in the market, briefed with their teams, and performed demos of their software. The output to follow is designed to help you as an employer, regardless of whether you have 100 employees or 100,000, to understand the providers in the market, what their differentiators are, and how to leverage their capabilities to add value to your approach to the people side of the business.

Let's get started.

EXAMINING THE BEST TOOLS IN THE MARKET FOR COMPENSATION DESIGN, STRATEGY, AND PRACTICE

The following technology providers are featured in this report (listed in alphabetical order):

- ▶ **ADP –** known for its payroll software but with a range of clients using its talent products

- ▶ **Curo –** European firm with global pay focus and a separate pay equity product

- ▶ **Mercer** (as a data source) – one of the most-used compensation data providers globally

- ▶ **Payfactors –** standalone compensation management product; merging with Payscale

- ▶ **PayScale –** global compensation technology provider with multiple products across company sizes and complexities

- ▶ **PeopleFluent –** talent management technology provider with robust, customizable compensation system

- ▶ **Salary.com –** global compensation data and technology provider offering compensation surveys, job description management, and consulting

- ▶ **Willis Towers Watson –** global services provider with proprietary compensation data and technology solution

If you want to dive deeper, we have video overviews of each provider on our website.

We specifically talked with companies that offer their compensation technology as a standalone offering, but there are obviously others in the market with a built-in compensation system, from Workday and Oracle to UKG (formerly Ultimate Software) and Ceridian. The goal with this report is to highlight innovation and capability that compensation users demand, such as leveraging multiple sources of market data within the compensation system. This is an example of an activity that often goes beyond the functionality available in many of those products.

We call these products **purpose-built compensation technology,** because their primary focus is on managing, supporting, and enabling compensation and related business decisions. Their ability to solve for compensation issues isn't incidental.

Additionally, we spoke with several other providers that have been gaining market share and/or are developing niche solutions to serve segments within the compensation market. We have set aside a special section of this report to highlight some of their efforts and advancements, but we have also incorporated them into the graphic below to represent how they appear in the market relative to the broader provider landscape.

Compensation Technology Landscape
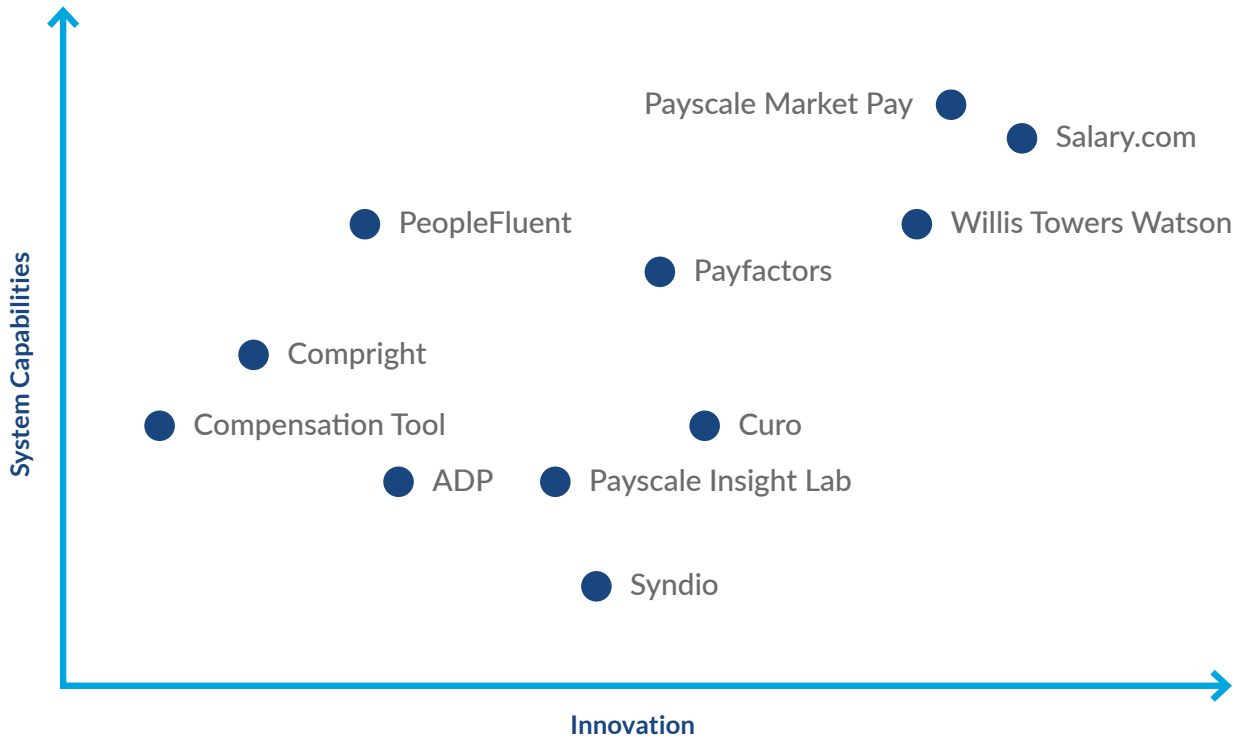
Figure 29

Note that this is not a ranking of best and worst providers in the space, but more of a look at what your needs might be and which best fits, since "best" is a highly subjective term.

▶ For instance, if you have fairly stable needs and are a smaller organization, then something like Insight Lab or Compensation Tool would likely fit your requirements and enable you to step into the world of compensation technology.

▶ If you are a more mature organization with more dynamic needs, something like Payfactors or Curo could help you to add more stability and structure to your practices.

▶ Finally, the most mature organizations with a high priority on compensation management, data, and governance would look for a tool like those offered by Salary.com, Willis Towers Watson, or PayScale MarketPay.

LEVEL SET: WHAT IS COMPENSATION MANAGEMENT TECHNOLOGY?

Compensation management technology is the subset of HR technology dedicated to the design of compensation structures, market pricing of jobs, management of salary data, and more. While the position of a compensation expert is data-heavy, the best employers see this as a strategic role that enables business success, not just a tactical set of processes with a predictable result.

That's not just a guess: the data in our research clearly demonstrates that high-performing companies are more likely to use dedicated compensation software to support the function.

Specifically, these are the kinds of features we were looking for in a compensation technology provider:

- ▶ Salary survey management capabilities: keeping track of the massive amounts of pay data on hand, often from multiple sources.

- ▶ Workflows for pricing jobs against market pay data: simple steps to price existing jobs against market pay data to ensure workers are paid fairly.

- ▶ Salary structure creation, modeling, and management: building salary structures from scratch, including modeling pay changes before they happen.

- ▶ Reporting, analytics, and data visualization: getting the data out of the system in clean, easy-to-understand visualizations to highlight compensation trends and insights.

- ▶ Budgeting, merit modeling, and planning: supporting the ongoing merit pay process, allowing compensation professionals to model and establish budgets and giving leaders tools to allocate them as necessary.

While not an exhaustive list, it offers a good starting point for finding the right solution for your business within the broader technology selection process.

TECHNOLOGY IS A PERFORMANCE ENHANCER FOR COMPENSATION PROFESSIONALS

In the following pages you will find our unbiased views of each of the providers we spoke with. The research was also informed by dozens of research interviews with practitioners about their technologies, what they loved (or didn't), and how they have used them to support their daily needs.

One of the biggest takeaways for us was this: compensation technology is more than a dumping ground for salary data—it's a performance support tool for compensation professionals. Almost every compensation leader we spoke with said a version of the following in the course of the conversation: "I couldn't get my job done without the system we are using. It helps me to analyze more data, more quickly, and more often." This is made even more powerful when you consider the fact that in our last research effort, more than half of those practitioners we spoke with that changed jobs brought their technology provider with them to their new employer.

More than half of the compensation professionals we spoke with that changed jobs brought their technology provider with them to their new employer.

How's that for a high-impact piece of technology?

In each profile on the following pages, you'll learn more about the providers, their capabilities, and a few of the differentiators we found interesting. These firms want to help you solve your compensation problems, but we understand that it can be a bit overwhelming. If you'd like a deeper dive or conversation about the market with our team, or if your team is considering a selection decision and wants support to determine which best fits your unique needs, you can reach out to us for a deeper dive at any time.

Note: to make this report more readable and easier to consume, we have included a limited number of product screenshots for each provider in this report. We have included more high-resolution screenshots and short video reviews of each provider on our website where you can explore each company's capabilities and functionality more fully.

Profile: ADP
Key Customers: Not Disclosed
Website: http://adp.com

Analyst Notes: ADP is one of the biggest and most well-known companies in the HR technology space, but most often it is recognized for its payroll solutions, not the ones it provides for compensation and/or talent management. Despite that fact, the company brings a helpful set of capabilities on the compensation front designed to solve some of the key challenges facing HR pros today.

For instance, some of the key features we saw in the system included:

▶ Planner tool for designing top-down rules and budgets.

▶ Flexibility to handle off-cycle adjustments and changes

▶ Integration of compensation benchmarks and pay equity data for a comprehensive perspective.

Delivered as part of the ADP Talent Management Suite, ADP Compensation Management provides an intuitive, role-based interface that guides users through the processes they need to complete.

The most powerful piece of the entire puzzle is Benchmarking, powered by ADP DataCloud. This allows employers to match their data against a data set of 30 million employees to see how they stack up.

Data can be imported into ADP's compensation system, but the company also processes pay data for millions of employees, giving it a fairly accurate view of many jobs, industries, and markets across the globe. Speaking of global, the solution offers multi-language and multi-currency options for employers that need those capabilities.

Of the systems we saw, ADP seemed to be one of the best at having tools for managers to sort out bonus allocations, pay adjustments, and approvals. The workflows were streamlined, including notifications and interesting insights. For example, system administrators can see how long managers spent allocating their budgets within the platform. If a manager spent 27 seconds deciding who receives what bonus, that might be a red flag to follow up on as it often indicates a lack of focus and attention on employee compensation.

ADP By The Numbers

Average Customer Satisfaction
7.6/10

Features Most Liked by Customers

1 Robust and accurate data

2 Salary structure creation, modeling, and management

3 Budgeting, merit modeling, and planning

Customer Likelihood to Renew
39% definitely will

ADP prides itself in offering a solution that is simple on the front end for the user but very powerful on the back end with rules, options, and configurability. That dual focus is a key reason the solution is able to serve employers with several hundred up to tens of thousands of employees, demonstrating its flexibility and scalability.

Our take on the product is that it's better suited for some of the more basic needs around budgeting and merit modeling, but it doesn't do some of the more complex salary survey analysis and benchmarking that is possible with other tools in the market. This is offset somewhat by ADP's Benchmark ability using its customer data set, but many of the enterprise employers we spoke with needed more robust and/or targeted data to support their talent operations.

It's a workhorse for those more common use cases around helping managers to have clarity on budgets, ensuring a quick and responsive merit increase process, and hooking into the primary touch points for ADP users to keep data in one system.

PRODUCT SCREENSHOTS:
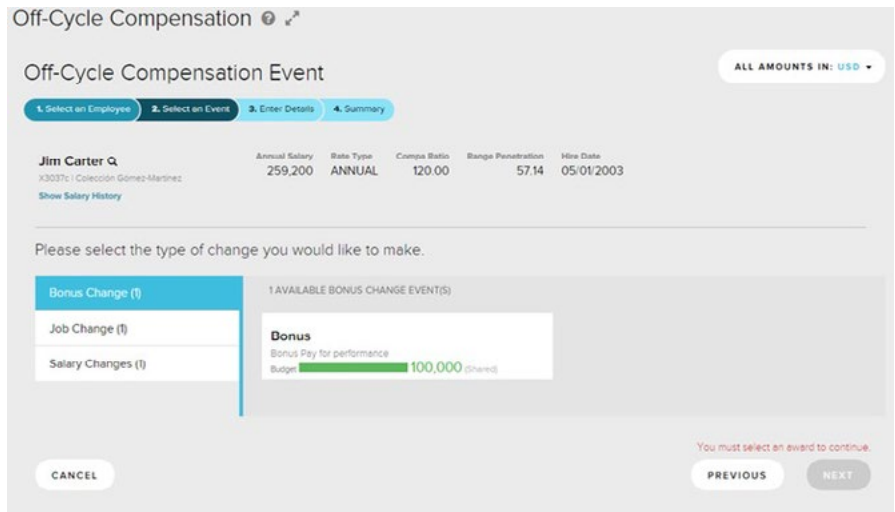
Planning off-cycle compensation adjustments: workflow enables managers to quickly and easily see relevant data points on team members and process out of cycle bonuses, promotions, and more
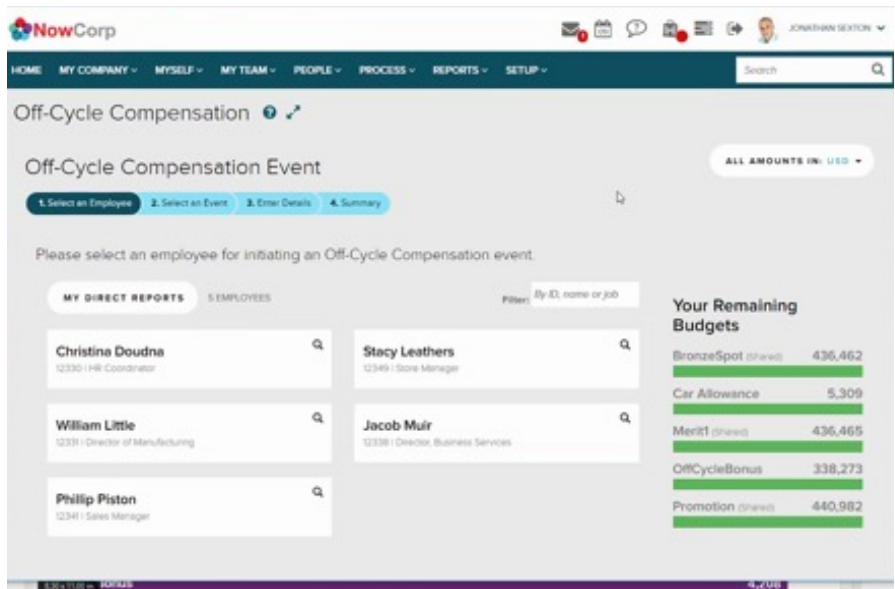
Planning off-cycle compensation adjustments: system includes budget data for the year so managers can make accurate decisions outside of normal merit increase cycles

Profile: Curo Comp
Key Customers: Ogletree Deakins, Sony Music
Website: https://curocomp.com/

Analyst Notes: Curo is one of the newer kids on the block when it comes to compensation technology providers, despite being over 10 years old. In our last report we dropped them in as an emerging company, but with a growing client base and an expanding set of products, we thought it was time to bring them into the bigger landscape.

Curo actually serves as the preferred compensation technology provider for notable enterprise talent technologies like PageUp, Deltek, and TalentGuard.

The company offers three product lines:

- ▶ CURO Compensation Management: a tool for managing merit increase processes and budgets.

- ▶ CURO Pay Equity: a module for supporting pay equity analyses.

- ▶ CURO Gender Pay Gap: module designed to support UK gender pay reporting requirements.

Based outside the US, the company takes a global-first approach to compensation, as evidenced by one of their tools focusing primarily on UK compliance requirements around pay equity. More than half of their customers are based in the US, though, and many have operations in multiple countries (supported by multi-currency features).

CURO works with one of the world's largest consulting firms as the analytics engine supporting pay equity analysis, demonstrating the stability of the product for advanced enterprise use cases and for the firm's over 200 clients globally.

PRODUCT SCREENSHOTS:
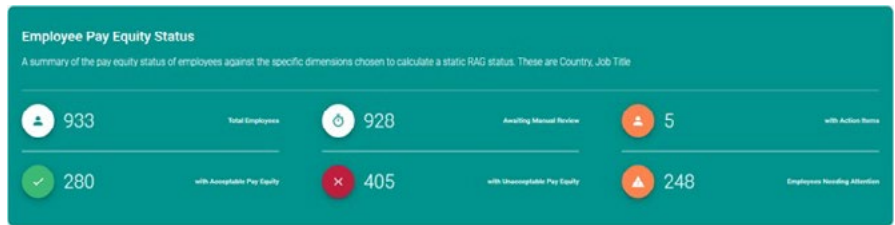
Pay Equity product: insights at a glance
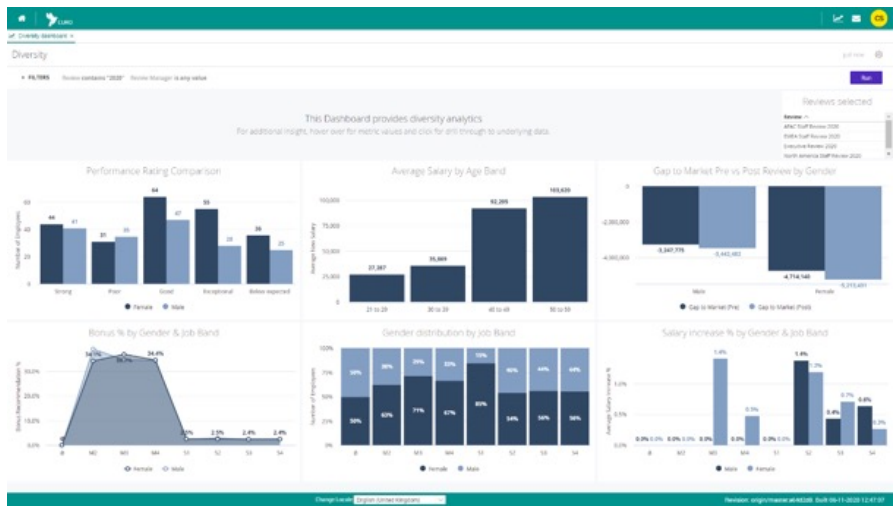
Admin dashboard with customizable tiles and data insights
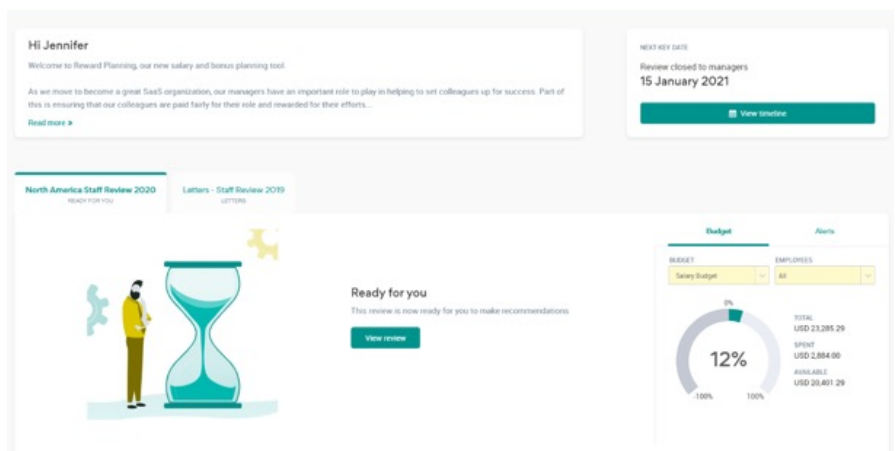
Manager dashboard with tailored insights and action notifications (pay reviews, percent of budget spent, etc.)

Profile: Mercer
Key Customers: Not Disclosed
Website: http://mercer.com

Analyst Notes: Mercer, while it doesn't offer the same type of technology platform like the other companies listed in this report, is included due to its heavy influence on compensation practices around the globe via its global surveys and market data. In our compensation technology research, Mercer was at the top of several lists in terms of providing compensation data, and more than half of the employers we talked to during our research interviews are leveraging Mercer data in some form or fashion to support their decision-making.

In our briefing with the team, it quickly became apparent why. Mercer prioritizes both volume of salary data as well as quality/depth. The company gathers data from around the world in everything from industry-focused surveys to country-specific surveys to specialty surveys and more. Need a report for Beijing? They have it. Want something covering the property and casualty insurance industry? They have it. Need something that doesn't even exist? They can probably build that, too.

At the end of the day, though, one of the biggest friction points for compensation practitioners around the globe is participating in salary surveys, which can be a painful experience for many employers. That's why Mercer is innovating within that specific piece of the compensation function with its Mercer Data Connector tool. This system actually uses machine learning to flag data issues, errors, or omissions during the collection process to help provide clean data for analysis. At the same time, it speeds up Mercer's ability to analyze the data and provide insights back to the users. According to the team, this new capability is a "client favorite."

Because the system is smarter, it can make it easier for compensation professionals to upload even more data (instead of sending in multiple files to upload your jobs, you can put all of them in at once and participate across all of your surveys with a single upload), offering even more value back to the users. This is backed up by our own research at Lighthouse showing that AI systems are faster and more comprehensive than humans at analyzing data and providing unbiased insights.

PRODUCT SCREENSHOTS:
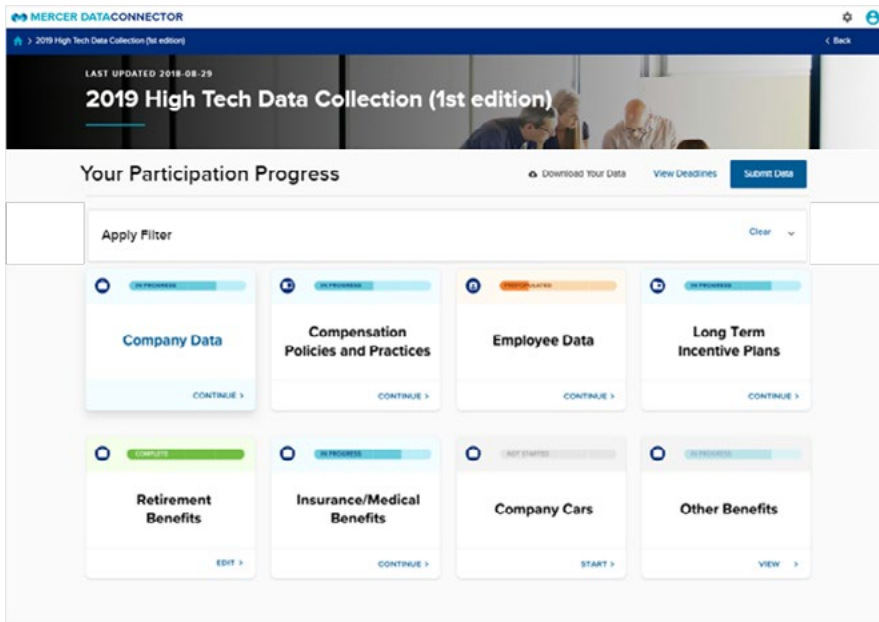
Mercer Data Connector Tool

Profile: Payfactors
Key Customers: Petsmart, Kendra Scott, Southwest Airlines
Website: http://payfactors.com

Analyst Notes: Payfactors has made a name for themselves since 2013 with some genuinely powerful capabilities that can help employers to deliver more value through compensation planning and practices. Payfactors' unique capabilities and recent momentum in the compensation market, led to the 2021 merger with Payscale.

For instance, the Payfactors Peer tool is one of their key capabilities, offering up-to-date information about similar companies and jobs that employers can price on the fly. Note that data are aged 90 days to comply with federal regulations, but otherwise it's as near to real time as possible.

600+ customers have been opted into this program, pulling their live job descriptions and salary data into Peer for other customers to search and use. The benefit is clear: instead of waiting nine months for a salary survey to arrive, the Peer tool can be used to generate a configured analysis of "like me" companies to price a job quickly. While not as comprehensive as a salary survey, it can serve as a point of reference for employers trying to make an important decision on an offer or adjustment.

Another feature touted by the Payfactors team is their "instant search" capability. Within the system, users can see instant results as they start to type a search term, bringing them to the data and insights they need before they can even finish the query.

And last but not least, the company has a job description management tool for helping businesses to build job descriptions and templates using drag and drop functionality for ease of use.

Future roadmap focus areas for the product include improved reporting and data exports and better integration of insights into manager dashboards.

Payfactors By The Numbers

Average Customer Satisfaction
7.4/10

Features Most Liked by Customers

1 Salary survey management

2 Salary structure creation, modeling, management

3 Robust and accurate pay data

Customer Likelihood to Renew
46% definitely will

PRODUCT SCREENSHOTS:

A modular experience gives users access to the information they need at a glance
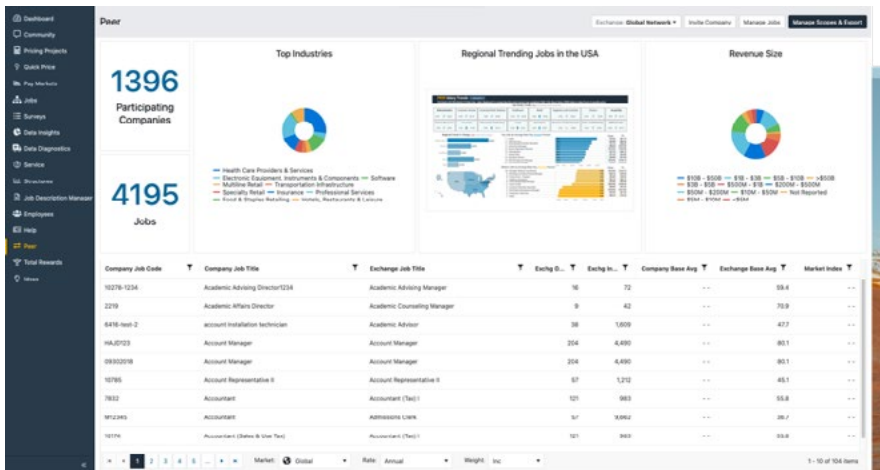
Peer offers up-to-date information about similar companies and jobs that employers can price on the fly.

Profile: Payscale
Key Customers: T-Mobile, Wendy's, Patagonia
Website: http://payscale.com

Analyst Notes (MarketPay): While Payscale may be best known publicly for its online salary data and career research for individuals, the Payscale compensation software solutions for organizations offer comprehensive options for HR and compensation professionals through products such as MarketPay, Insight Lab and a host of other tools and capabilities for more than 7,000 global clients of all sizes. We'll touch on Insight Lab in the next section as it serves a different audience than MarketPay.

MarketPay has long been a solution for enterprise employers with complex compensation needs, and the team has continued to expand the flexibility and capability of the system with new modules and features.

For instance, within MarketPay Jobs, users can build job descriptions from scratch or use templates to get started, and approvals can be automated through the system.

In addition to market pricing by job titles, users can also model compensation differentials based on locations and skills, making it easier and faster to price hot jobs in today's remote and hybrid work environment. Speaking of making things easier, Payscale can export data to your survey publishers in one click with MarketPay's pre-configured survey participation templates.

Payscale's MarketPay platform caters to pay equity-conscious employers with its Advanced Reporting dashboards that identify pay gaps across various demographics within the organization and also predict the cost to close those gaps. For employers who want additional help with pay equity analysis and monitoring, Payscale partners with the USC Race and Equity Center for external consulting.

MarketPay also allows users to see geographic trends over time. For instance, clients based in San Francisco with offices in Chicago can look back over the last six quarters and see what happened each quarter with differentials by location. It offers a quick check in a fast-moving world.

MarketPay By The Numbers

Average Customer Satisfaction
6.9/10

Features Most Liked by Customers

1 Salary survey management

2 Data privacy and security

3 Salary structure creation, modeling, management

Customer Likelihood to Renew
32% definitely will

Within Payscale Insight Lab, users can build, experiment, and play around with what-if compensation scenarios in a secure environment; from building and updating salary structures and merit matrices to enabling communication and collaboration. For more accurate job pricing, the Job Collaboration feature allows managers to provide feedback on core job factors that impact pay, giving HR a new level of context. Furthermore, Payscale Team equips HR and managers to work together for a simpler, up-to-date and streamlined compensation increase process.

With the recent Payfactors merger, Payscale is more focused on customer needs than ever before. Time will tell what bringing these two companies together will mean for Payscale's product and data offerings, but with 30% of the total US workforce represented by the combined company, it will definitely be exciting to watch.

PRODUCT SCREENSHOTS:
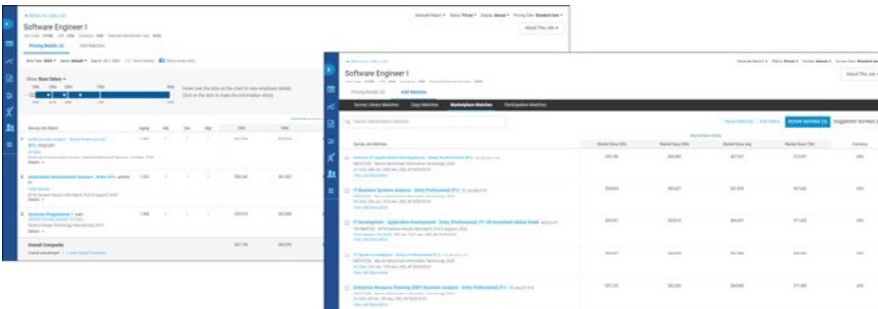
Drag/drop job titles into market pricing tool; employees are shown where they fall on the market range within the graphic overlay for quick analysis of market equity

Increasingly, survey utilization analysis is becoming a common component in compensation technology. This feature allows users to see how often they are using the salary data sources they have access to so they get the most value out of the resources invested or can shed those sources they only use sparingly.

The Payscale differentials engine can demonstrate pay differentials by geographic location or by skill, enabling compensation professionals to understand which factors play into pricing a job. In this example, a base salary for a senior software engineer in Nashville, Tennessee would be 1.3% below the overall average for a geographic differential of -1.3%. Skills differentials work similarly. In a more virtual work environment, this will be increasingly valuable for one-off examinations.

Job descriptions for roles can be generated instantly within MarketPay Jobs, offering insights into key tasks, FLSA exemption status, and more.

When it comes to pay equity analysis, several report options are available, including specific gender pay gap reporting to comply with requirements for companies in the UK.

Pay gap analysis includes uncontrolled (raw) outputs as well as controlled variable analysis for both gender and ethnicity. Employers get an actionable set of insights for how to correct the gap at an employee level, not just a high-level overview.

Analyst Notes (Payscale Insight Lab): While at least one other provider in this list has product offerings for small and mid size businesses, PayScale actually has an entirely separate product dedicated to those needs. The company readily admits that this isn't designed for the high-powered compensation professional at an enterprise organization; instead, it's targeted toward HR professionals and smaller firms that need a lighter compensation product for occasional pricing and analysis.

The core data set in Insight Lab is driven by anonymous, crowd-sourced data points from millions of employees. However, employers have the opportunity to import data from other sources if they have it. In addition, PayScale encourages customers to opt into their shared data model (most of them do), pulling live salary data from employer HR systems to create company-sourced data sets passively in the background.

Add-ons for Insight Lab include survey management, job collaboration, and (our favorite) the team suite. Team is meant to bridge the gap between HR and managers in the organization when it comes to compensation. One piece of this puzzle is around workflows, and another is on the powerful-yet-often-despised merit matrix, where performance and merit pay are aligned in a visual way. The goal here is to support real-time pay decisions for fast-paced organizations

Insight Lab By The Numbers

Average Customer Satisfaction
8.2/10

Features Most Liked by Customers

1 Workflows for pricing jobs against market data

2 Budgeting, merit modeling, and planning

3 Robust and accurate data

Customer Likelihood to Renew
56% definitely will

PRODUCT SCREENSHOTS:
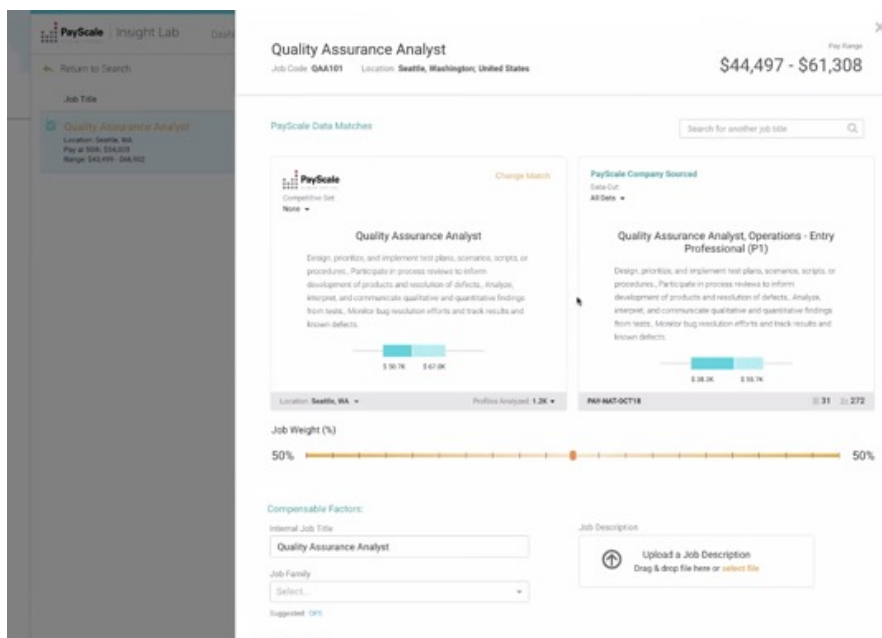
Users can match job titles to Payscale data sources (company-sourced and crowd-sourced) and then weight job matches from different sources to more accurately reflect the job they are market pricing; this display shows job matches from company-sourced data as well as crowd-sourced data
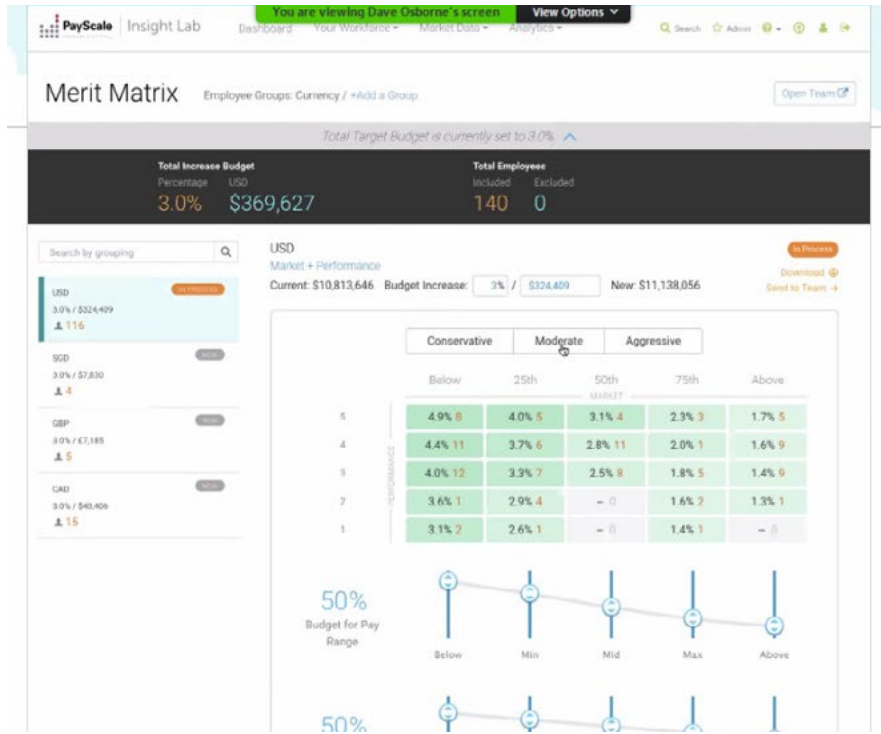
Merit matrix for managers to evaluate performance/merit increases on budgets
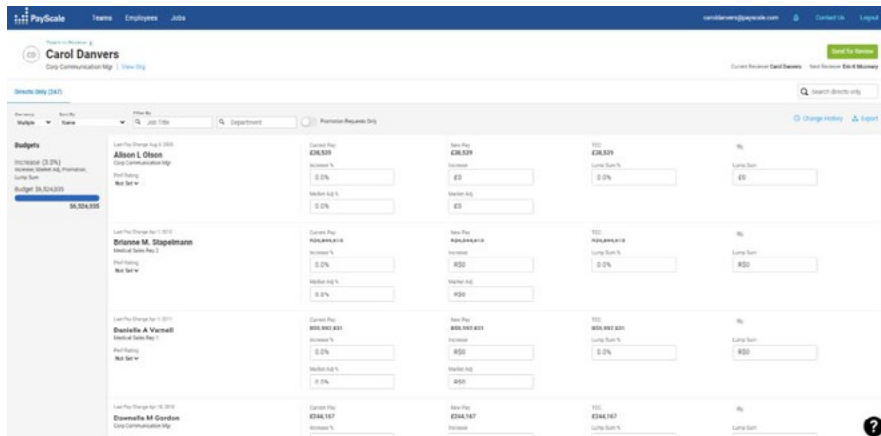
Payscale Team allows HR to manage increase cycles within a secure, connected compensation platform. In addition, workflows established by HR give managers and executives structured communication and approval processes.

Profile: PeopleFluent
Key Customers: IKEA, Starbucks and Scotia Bank
Website: http://peoplefluent.com

Analyst Notes: PeopleFluent has been a provider of talent technologies for mid size and enterprise businesses for over 20 years, and one of its most impressive tools is focused on compensation. With over 100 enterprise customers, the system's capabilities are solid. Because the product stands on its own two feet, it can be sold either as part of a talent suite or as a standalone compensation product.

Unlike some of the other compensation tools developed by talent management suite providers, the PeopleFluent compensation product is highly flexible and allows customization for employers that need specific workflows, processes, or other capabilities.

Admins can model pay change modeling to determine proposed impacts on budgets and even do side-by-side comparisons of different scenarios. Admins even have the power to permission finance leaders to see and practice these scenarios, which can help to elevate the importance of pay to strategic levels.

Employees can also receive system-generated total rewards statements with information about pay, bonus plan eligibility, stock options, and more. Employers have the ability to customize and tailor participation in various compensation plans and processes by a variety of factors, including geography, business unit, hire date, or other system fields.

Because PeopleFluent serves global customers, the system supports multiple currencies and languages with ease.

PRODUCT SCREENSHOTS:
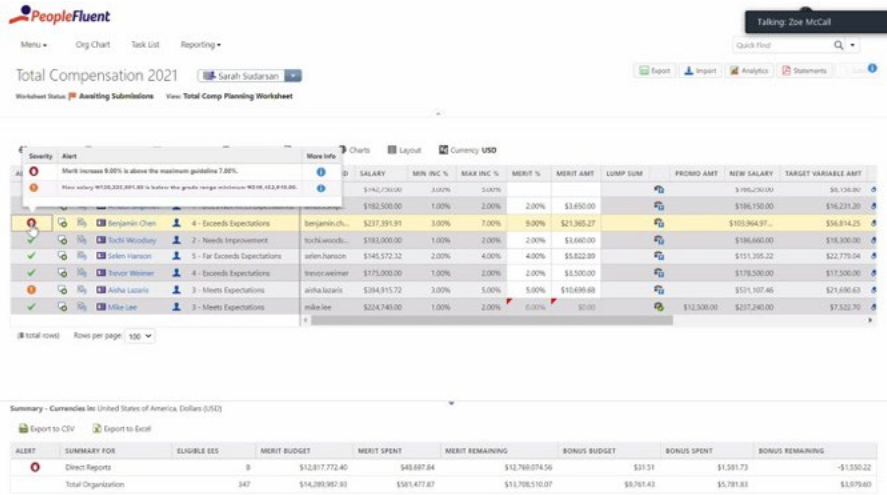
Compensation planning worksheet offers alerts and insights into issues that require attention in order to fully process compensation changes
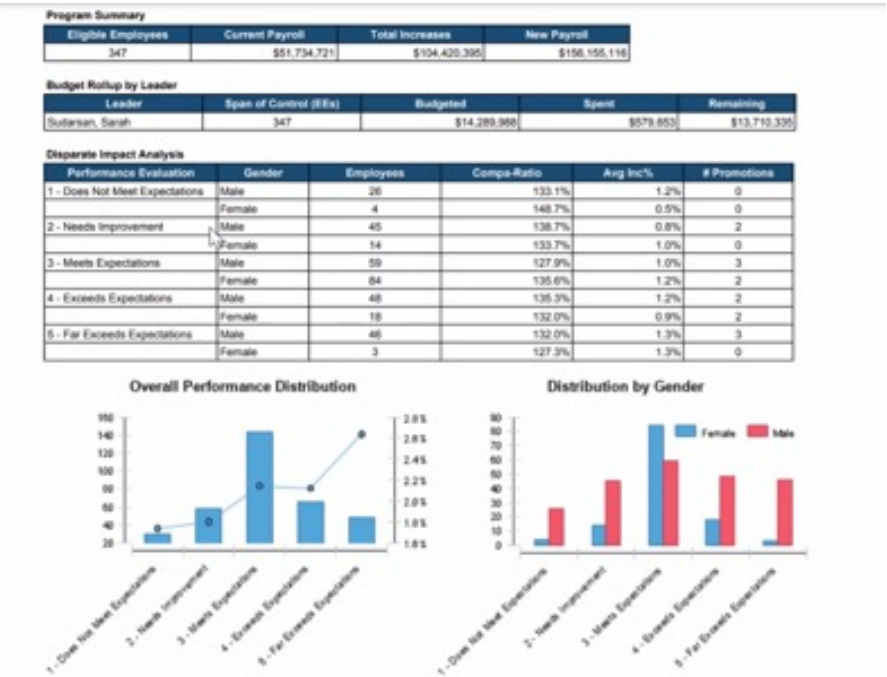
Weaving in performance and gender data, business leaders can see data through the lens of their own organizational hierarchy, identifying pay for performance trends or gender pay issues.

Profile: Salary.com
Key Customers: Hertz, Accenture, Wegmans
Website: http://salary.com

Analyst Notes CompAnalyst and JobArchitect): Salary.com's CompAnalyst has a rich history in supporting business needs for HR-reported aggregate compensation data and enterprise compensation management software. Today they have a database with over 15,000 job titles in 22 countries. Salary.com continually enhances its CompAnalyst platform, and the job description management software, JobArchitect, was completely refreshed. The platform offers comprehensive tools for market pricing jobs and streamlining the job description process. With Compdata and IPAS surveys available stand-alone or in CompAnalyst, Salary.com offers a one-stop shop for salary surveys, both US and global, and can also incorporate third-party survey data.

Pay equity is top-of-mind for HR and comp professionals. JobArchitect establishes and documents comparable work which is the keystone of pay equity analysis. CompAnalyst's robust pay equity reporting identifies pay gaps within the workforce. Together they power critical insights into pay gaps, identify which are justified under the federal and local laws, and help design remediation and communication plans.

With datasets like minimum wage, relocation wizard, cost of living adjustments, and geographic differentials, CompAnalyst can help you keep up with changing trends in pay across the US.

Users are assisted with a host of tools, both automated and contextual, to make the compensation process easier and more customized. For instance, AI-recommended job matches can fine tune each job match. With over 27,000 compensable factors, you can adjust compensation for factors like skills, certifications, education, experience, and even security clearances with one click. In addition, the newly adjusted job report can be shared with a single click.

Salary.com's JobArchitect tool offers multiple sources for creating and editing job descriptions on the fly, along with a flexible approval workflow that can include both internal and external approvers. The integration to CompAnalyst for market pricing means non-users (recruiters, for example) can even click a button to request a job description.

CompAnalyst By The Numbers

Average Customer Satisfaction
7.6/10

Features Most Liked by Customers

1 Salary survey management capabilities

2 Workflows to price jobs against market data

3 Manager tools for overseeing budgets

Customer Likelihood to Renew
34% definitely will

Some of the most compelling features become available when you integrate CompAnalyst with your HRIS data, giving you access to in-depth analytics on all your employee salary, job, and demographic data. Customizable, role-specific dashboards on the homepage make this especially useful for analyzing pay equity, viewing your job descriptions, accessing market pricing and getting reports in one click.

In addition to customizable reports, users also leverage Salary.com's report templates, which help you get answers to your common questions, like "Are there any flight risks at my company?" and "Do I have any pay equity issues at my organization?" This focus on using natural language queries helps to make the process easier for those new to the system or those new to compensation overall, reducing the time needed to find information. The Career Progression Report and Total Compensation Statements are also included and provide additional transparency with managers and employees, offloading the need for compensation and HR professionals to do that heavy lifting themselves. Our favorite piece was the Comp360 report, a visual representation of lateral moves, career progression options, and related skills between roles. This offers a foundation for career conversations based on how and why a job pay rate is set with objective data, not just subjective opinions.

The company's recent trends in customer acquisition reflect much of what we've seen in our data. There has been shuffling in the enterprise space in search of the right provider, and the small and midsize market has grown significantly in the last 12-24 months, driving customer growth.

Speaking of SMB and enterprise, that brings up one other point to note. The products Salary.com offers are available for SMB or enterprise, depending on need, complexity, and functional maturity. For instance, a small or midsize employer may begin with CompAnalyst market data as a data source (delivered through a streamlined version of the CompAnalyst platform) and later add CompAnalyst's reporting and pay analytics as they grow and mature. On the other end of the spectrum, an enterprise client would likely jump immediately to the CompAnalyst Suite with Salary.com data and/or other third-party data sets they have access to from other providers. With a single platform, this creates a user interface that supports a broad number of use cases and buyer types.

PRODUCT SCREENSHOTS:

See which locations are at, below, or above market pay rates visually at a glance

Drill down into jobs to see specific employees and their compensation rates, including employees paid in other currencies for more equitable comparisons

Add specific competencies, skills, and capabilities to a job to create a custom price based on compensable factors for a specific individual or job

Simple, straightforward types of questions that are presented to users within the CompAnalyst reporting options help users to quickly jump to common issues like flight risk, job matching, pay equity, and more

Career Progressions Report lays out jobs along a more traditional career ladder, giving compensation professionals and managers data and a framework for career progression discussions

Example portion of a Comp360 report for an HR generalist position highlighting the job's transferable competencies shared with other roles within the business

Adjusting compensable factors for a job allows users to determine a new, accurate pay rate on the fly
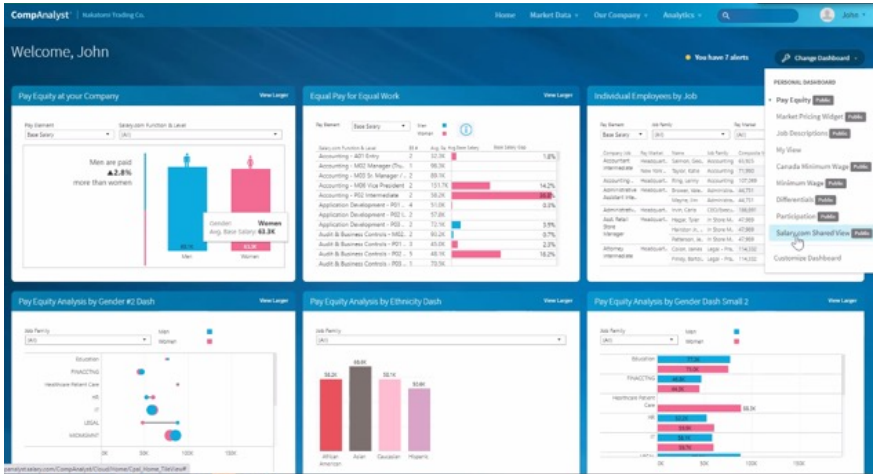
Pay equity dashboards offer a variety of ways to examine pay data to determine issues and gaps in pay equity; dashbords can be offered in limited views for other stakeholders to give them a role-specific perspective and the system can flag compensable factors that may be impacting pay gaps
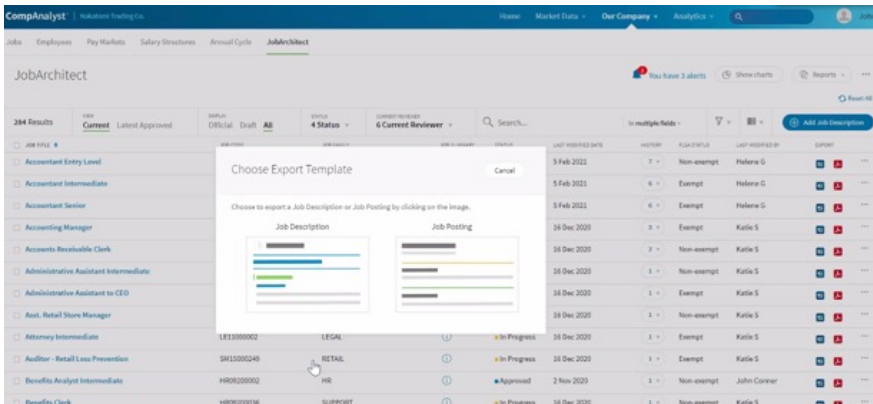
Create a new job description or job posting from JobArchitect data, and then set a pay rate based on the exact skills and experience that match the job requirements

Profile: Willis Towers Watson
Key Customers: Undisclosed
Website: http://willistowerswatson.com

Analyst Notes: Designing competitive compensation programs goes well beyond setting pay. With a full suite of compensation management tools, Willis Towers Watson (WTW) Compensation Software helps you connect work to rewards to create and support a skills-based culture that optimizes your investment in and development of great people. You might be familiar with their survey and compensation tools, but Willis Towers Watson has streamlined this service by publishing all of their surveys in one common platform, providing a more seamless experience for their customers.

Willis Towers Watson is very proud of its combination of technology, data, and advisory services, demonstrating its commitment by gathering compensation benchmarks on more than 25 million employees annually. The firm's more than 10,500 work and rewards software clients cover the full spectrum of organizations from large to small.

The three components of the primary compensation software are Data Interactive, Analytics & Design, and the Global Grading System:

- ▶ While any data source can be imported into Analytics & Design, Data Interactive is the channel by which customers can access, customize and report out on all data products published by Willis Towers Watson.

- ▶ The workhorse of the system is Analytics & Design, where users can benchmark jobs, perform compensation design, or model costs.

- ▶ The Global Grading System, WTW's proprietary job leveling system, determines the relative value of jobs in a culturally neutral job evaluation process based on actual data and facts, not human bias and opinion.

Willis Towers Watson By The Numbers

Average Customer Satisfaction
7.6/10

Features Most Liked by Customers

1 Salary survey management capabilities

2 Workflows to price jobs against market data

3 Robust and accurate pay data

Customer Likelihood to Renew
42% definitely will

Any of the three products can be licensed individually or as a package.

In addition to their deep focus on compensation, Willis Towers Watson has also introduced several new stand-out capabilities on the fringes of compensation and talent, many of which embrace the use of AI and machine learning. For example, the survey participation portal uses AI to assist users with matching their jobs to the WTW survey job catalog, saving time and optimizing data and predictions. If you only want to price one job, Willis Towers Watson has introduced its Position Pricer tool, a self-service, online marketplace for individual job reports that doesn't require access to the full suite of services.

New in 2020, SkillsVue is a first-of-its-kind, interactive analytics software enabling organizations to run models of the impact of skills on pay for digital industry jobs. Using machine learning algorithms and predictive intelligence, SkillsVue allows you to analyze skills data and assess market demand, skill prevalence, and premiums for the most in-demand skills in real time. For instance, pricing a job and then adding an in-demand skill to that job will reflect the new pay rate with the skills pricing differential woven in.

Additionally, with the prevalence of reskilling and upskilling conversations in organizations today, the introduction of their award-winning planning tool, WorkVue, is especially intriguing. An AI-driven software designed to reinvent jobs, WorkVue helps organizations achieve the optimal combination of talent and automation by deconstructing jobs into tasks, evaluating ways to optimize cost and work, and reconfiguring the tasks into new jobs. The simple, clean interface and on-screen support make this tool especially easy to use.

Finally, the Analytics & Design module automates competitive market analytics to streamline processes, generate insights and design and manage innovative pay programs that make the best use of compensation budgets. In addition to market pricing, job leveling, managing salary structures, and running standard and custom reports, the Analytics & Design tool also allows you to view your global competitive positioning in heatmap format, giving you a quick snapshot of how competitive you are in each geographic market.

Willis Towers Watson is pushing the envelope when it comes to new ways to leverage compensation and skill data to tackle the challenges of the modern enterprise.

PRODUCT SCREENSHOTS:
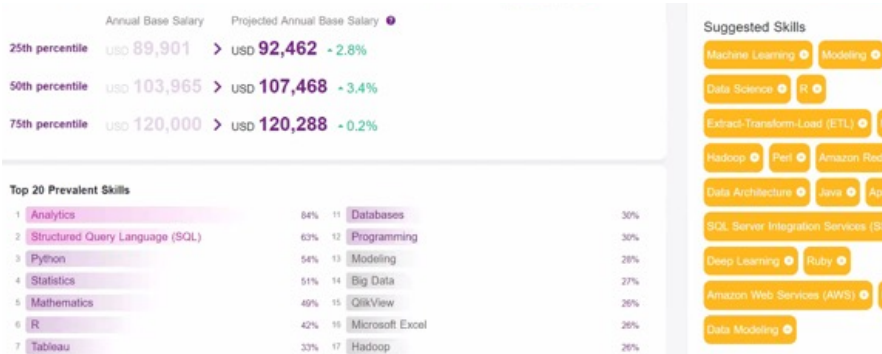
SkillsVue enables selection of a digital job and provides a view into the most prevalent skills (pink/purple) and other related (orange) skills found in the market for that job. If a suggested skill is added or removed a new projected base salary appears based on the modeled combination of skills , in real time.
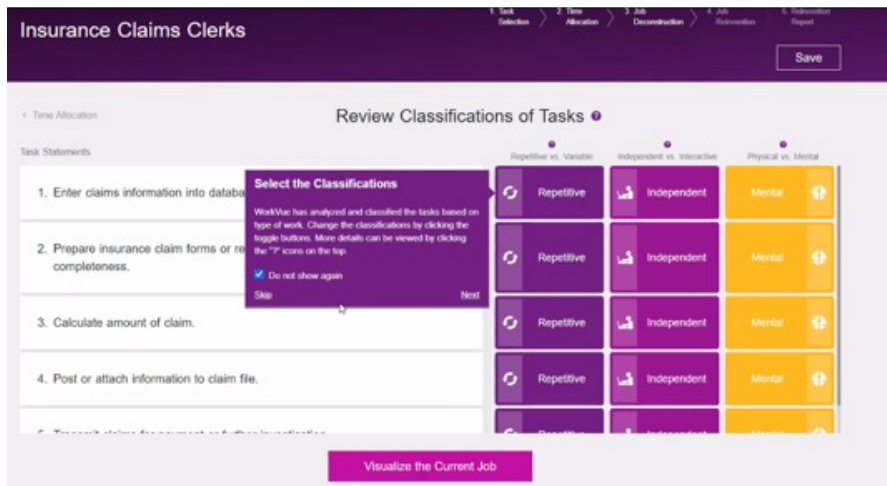
WorkVue allows employers to look at specific jobs, visualize the amount of repetitive tasks, and evaluate potential options for savings via automation, outsourcing, and/or job design, offering a high-level cost savings figure at an enterprise level.
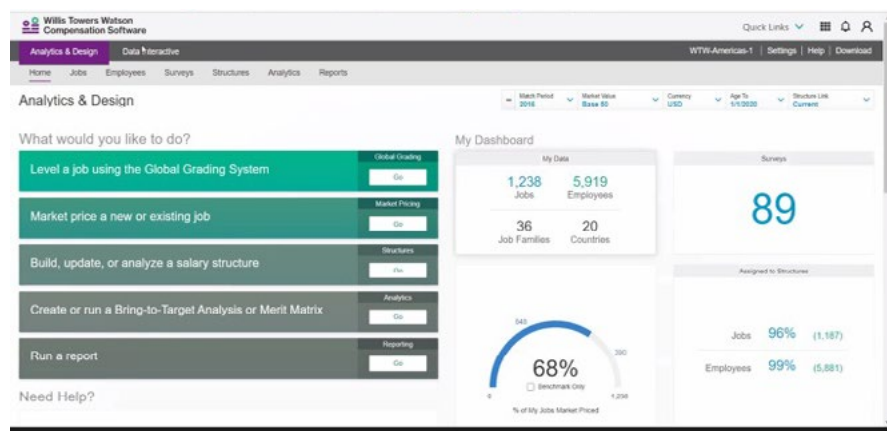
Analytics & Design product: dashboard offers quick access to common tasks and data points
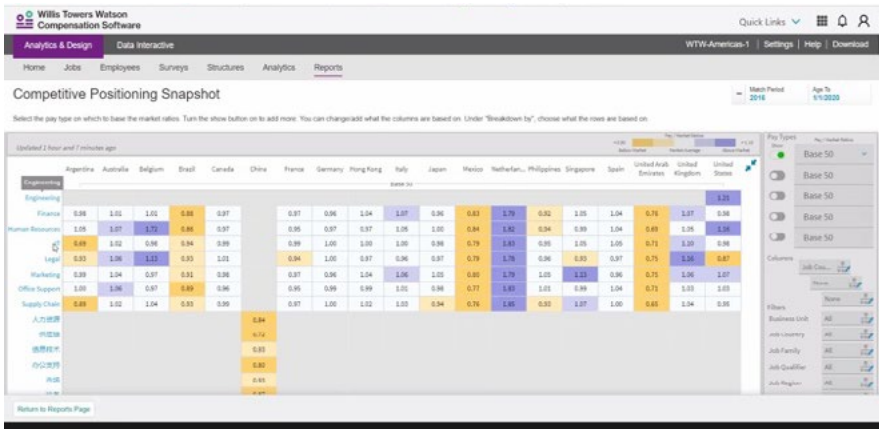
Competitive positioning intelligence to compare your organization against market rates (globally, in this example) at a glance
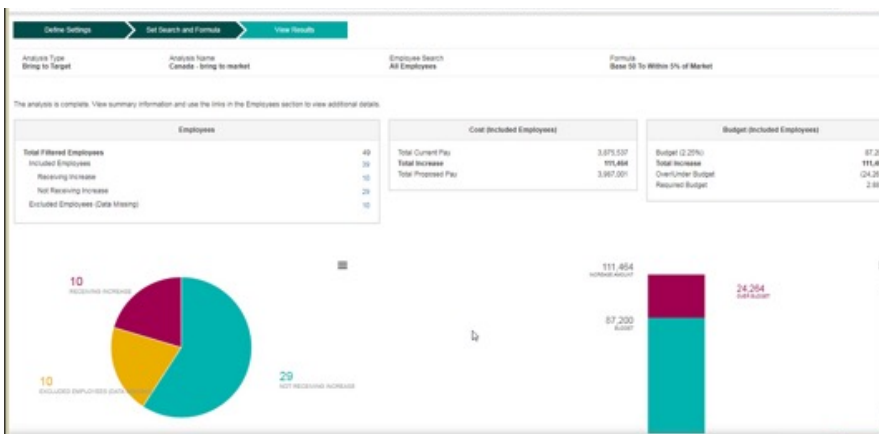
"Bring to Target" feature allows users to simulate or test pay changes and evaluate budget impact; in the example above, giving 10 high performers an increase to get them closer to market rates puts the team over budget by nearly $25,000

Niche Players, Rising Stars, and More

Within the spectrum of providers in the compensation technology space, it's easy to see a combination of heavy lifting and power combined with agile capabilities and options. During our research, we ran across several other firms that are supporting compensation professionals and employers of varying sizes and industries. A selection of those companies are highlighted here as a reference point, because the features and focal points we typically see in smaller startups or niche players is what often makes its way upstream into the larger providers.

Compensation Tool

Aptly named, Compensation Tool is a basic system that handles the nuts and bolts for SMB firms stepping into compensation for the first time. The system allows employers to load compensation data sources, go beyond spreadsheets, and get the benefits of having all their salary and job data in one place.

Why it's interesting: The SMB market is growing rapidly when it comes to demand for compensation technology. We talked with several companies in our research with 20 to 80 employees that had already purchased a piece of compensation technology. Yes, really! When we take that into account along with some of the data we've seen on the growth of the compensation market, it points to a greater demand for technology downstream at small employers. With tight labor markets, smaller firms need to be more competitive on pay. Having a system and the right data on hand can help them to be more agile and responsive to the demands of both job seekers and constantly shifting market prices.

Compright

Formerly known in the market as Compensation Cloud, Compright is a tool for companies that are stepping into their first compensation technology. It solves for most of the basic needs, such as communicating pay and total rewards statements or allocating salary increase budgets to give managers a head start on compensation adjustments.

Why it's interesting: Compright's stated goal is to "democratize the compensation industry." The team is supporting clients moving into the realm of dedicated technology for compensation by helping to tackle the basic components of moving away from spreadsheets to a dedicated technology. In addition to salary planning, the system supports bonus allocations and stock options.

Syndio

Capturing clients like Adobe, Slack, and Nordstrom, Syndio is focused on helping employers prioritize pay equity. The firm believes that employers should be analyzing their pay data in minutes, not months via billable consulting engagements, and offers various types of statistical analysis to instantly review pay equity and highlight any hotspots to target.

Why it's interesting: The pay equity piece is one that every large employer is considering in some form or fashion (and if they're not, then they will be soon due to EEO-1 reporting changes that now require employers to report salary data with their diversity information). The firm received $5 million in seed funding early in 2019 and another $17.1 million in early 2021. The market is increasingly interested in pay equity support. We expect to see more focus and solutions entering the market around this need in the coming months and years, both in standalone software and as part of the package with some of the bigger providers as well

Making Sense of it All

As you can clearly see, there's so much happening in the compensation technology space, and employers have never had so many options for managing their data and processes with purpose-built tools designed to make them even more productive and strategic.

If your team is considering a selection decision and wants support to determine which best fits your needs, <u>contact us to set up a strategy day</u> to explore the best options for your unique situation and/or get a copy of our compensation RFP template.

Not only has our team evaluated all of the top providers in the market and spent significant time with the buyer community, but we have also been compensation and HR practitioners ourselves, so we understand the challenges you face in the business and the problems you are trying to solve.

At the end of the day, the data are clear: companies with a compensation system can more effectively manage their financial investments in the people that serve the customers and make the business possible. While there are many solutions in the market, there's likely to be one or two systems that really fit your unique needs well.

Now is the time for compensation practitioners to step up from administrative to strategic professionals that create real business value, enabling the firm to compete in an increasingly disruptive and challenging global market. Are you ready?

About Lighthouse Research & Advisory

Lighthouse Research & Advisory is a modern, independent analyst firm dedicated to setting the standard for excellence in talent, learning, and HR with practical research and a hands-on approach. By providing compelling research and actionable insights, our team enables HR, learning, and talent leaders to deliver more value to the business. Our research examines competitive practices, cutting-edge technologies, and innovative strategies.

Ben Eubanks is the Principal Analyst at Lighthouse, providing insights for today's talent leaders and vendor partners. He works with practitioners from areas across the HCM spectrum, delivering high-quality research, insights, and advisory services to enable better business performance.

His book, Artificial Intelligence for HR, was published in 2018. This was the first piece of in-depth research on the topic published anywhere in the world and reinforces the position Lighthouse holds as a leading analyst firm. The book debuted at #1 on the New and Noteworthy HR books section on Amazon.com.

Prior to joining Lighthouse, Ben worked as a researcher, writer, and speaker for nearly more than 10 years, focusing on learning, talent acquisition, and talent management. During his tenure as a researcher, he has published more than 1,000 reports, case studies, and articles in addition to providing advisory services to executives from some of the largest and most respected organizations in the world.

He also has hands-on experience working as an HR executive, leading both strategic and tactical talent practices and giving his research a distinctly practical perspective. Ben has interviewed business leaders from notable organizations such as Southwest Airlines, IBM, H&R Block, McDonald's, AARP, and AlliedUniversal in his role as the host of We're Only Human, a podcast focused on the intersection of people, technology, and the workplace. In addition, he founded and operates upstartHR.com, a community serving HR leaders that has reached more than one million readers since its inception.