



## **From Pascagoula, MS to San Francisco, CA: The Importance of Applying Geographic Differentials in Developing an Effective Pay Plan**

Gathering labor market data can impose many challenges for companies. This is essential information employers need to ensure that their pay programs are in line with the local labor market. Many factors, such as size (both in terms of revenue and staff size), industry, and location, should be taken into consideration.

Of these factors, location is often the most difficult to address because compensation surveys frequently do not report pay levels specific to a particular employment market. The more geographically-specific the survey, the more reliable the data become. Pay information found in surveys covering national, regional, or even statewide levels can be misleading, reporting “ballpark figures” that often do not reflect the true labor market for specific locations. Consider the following statistics:

- Salary levels in San Francisco, CA are approximately 35%\* higher than in Pascagoula, MS
- An entry level accountant in Oakland, CA makes an average salary of \$53,278\* compared to \$46,969\* in Stockton, CA, a 12% difference
- Annualized salary levels across all industries for management positions in the San Francisco, CA area are paid an average salary of \$122,532\*\*, compared to \$100,048\*\* in the Santa Barbara – Santa Maria area, CA and \$90,563\*\* in Fresno, CA

The differences in these salary levels are material enough to be a determining factor in maximizing payroll dollars. Companies that want to get the most out of their pay plan have two options with respect to dealing with geographic differentials: (1) always try to use surveys with data that are specific to the location of the company or (2) apply percentage differences when using data that is reported on a national, regional or statewide level. The result will help improve company’s ability to attract and retain valuable employees and make efficient use of payroll dollars.

\*Percentages reported by the Economic Research Institute’s Geographic Assessor

\*\* Salaries reported by the Labor Bureau of Statistics as of May 2008