

Salary.com Research



On-Demand Compensation Management

Performance Review Survey Executive Summary

Overview

In anticipation of the 2006/07 performance review season, Salary.com conducted a survey to assess the frequency and effectiveness of performance reviews. Both employers and employees were surveyed and they provided largely conflicting responses:

- While 95% of employers reported that they meet with their employees at least once a year to discuss performance, employees report less frequent communication.
- More importantly, only 39% of employees believe that their company's performance review process leads to improved performance (vs. 65% of employers).
- One area of agreement is that performance reviews are clearly linked to annual pay increases, making their effectiveness critical for both employers and employees.

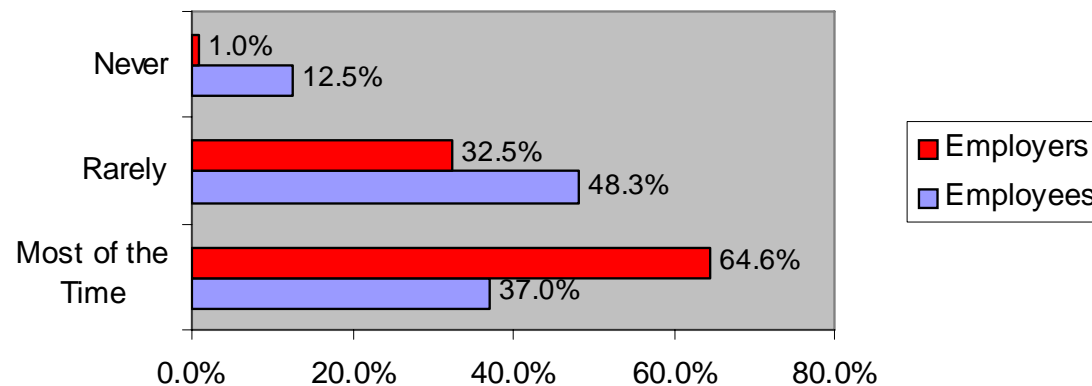
Survey Methodology

- Salary.com invited a cross-section of employees and business representatives from across the US to participate in this survey. Prospective participants were sent an email in October 2006 with a link to the questionnaire. Responses were submitted electronically.
- Responses were received from 2,200 employees and 330 HR professionals. Companies ranged in size from less than 10 employees to over 1,000.
- The data was reviewed for consistency and accuracy and valid submissions were aggregated. Each numerical result is based on data submitted by at least five (and often many more) separate respondents. This conservative approach is designed to protect participant confidentiality, and is consistent with the “Safe Harbor” guidelines adopted by the US Department of Justice.

Employers & Employees Disagree Over the Effectiveness of Performance Reviews

- 65% of employers believe their company's performance review process leads to improved performance, while fewer than 40% of employees agree.
- Over 60% of employees believe that performance reviews "rarely" or "never" lead to improved performance.

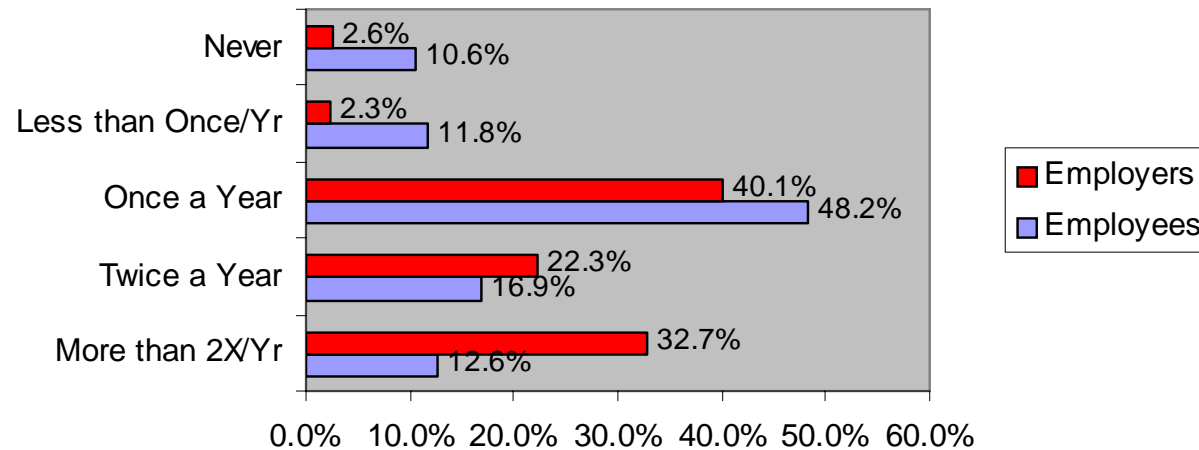
Does your company's performance review system lead to improved performance?



There's a Gap in Perception Regarding the Frequency of Performance Reviews

- 55% percent of employers claim they formally meet with their employees 2 or more times a year to review performance.
- Fewer than 30% of employees agree. Over 22% of employees claim they don't even have an annual performance review.

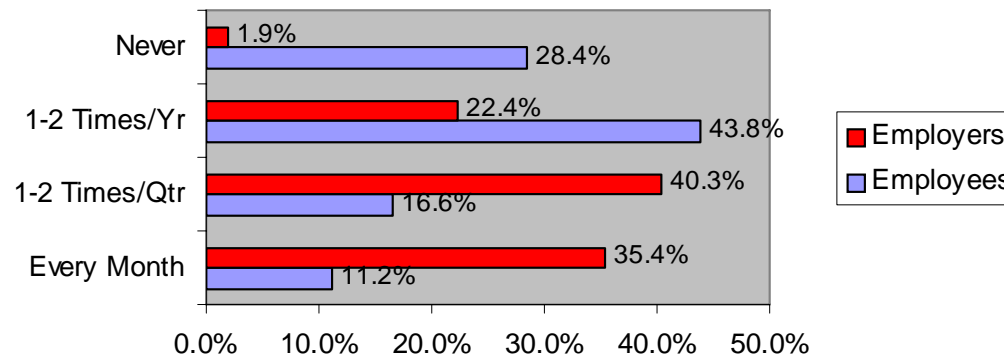
How often do you meet to review performance?



The Gap Extends to Less Formal Discussions About Performance

- Nearly 36% of employers respond that they talk with their employees on a monthly basis about performance, and over 40% claim to discuss performance 1-2 times per quarter.
- Fewer than 12% of employees recall discussing performance on a monthly basis and over 28% claim they never discuss performance with their managers outside of their formal review.

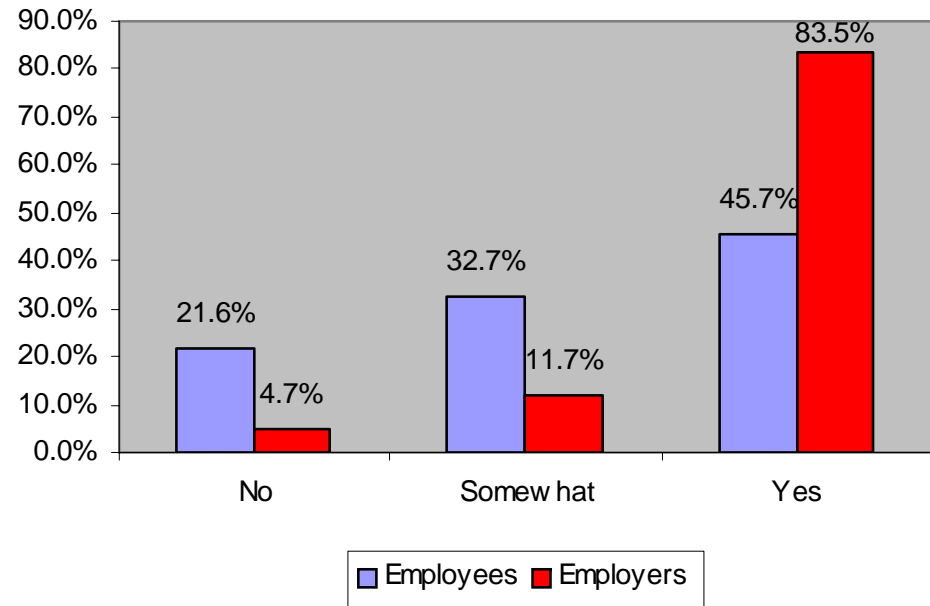
How often do you discuss performance outside of formal reviews?



Employees Feel Less Involved in the Review Process Than Managers Estimate

- Over 95% of managers report that employee input is included in the performance review process.
- Over 21% of employees claim they have no input.

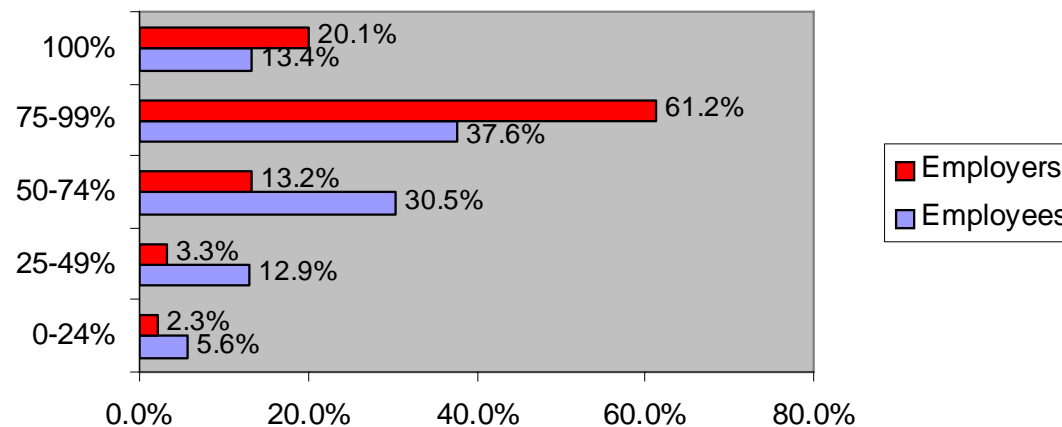
Is employee input included in the review process?



The Communication Gap Starts With Awareness of Job Duties

- Over 81% of employers believe they are aware of most (over 75%) of the tasks performed by their employees.
- Only 51% of their employees agree; 18% percent believe their managers are aware of less than half their tasks.

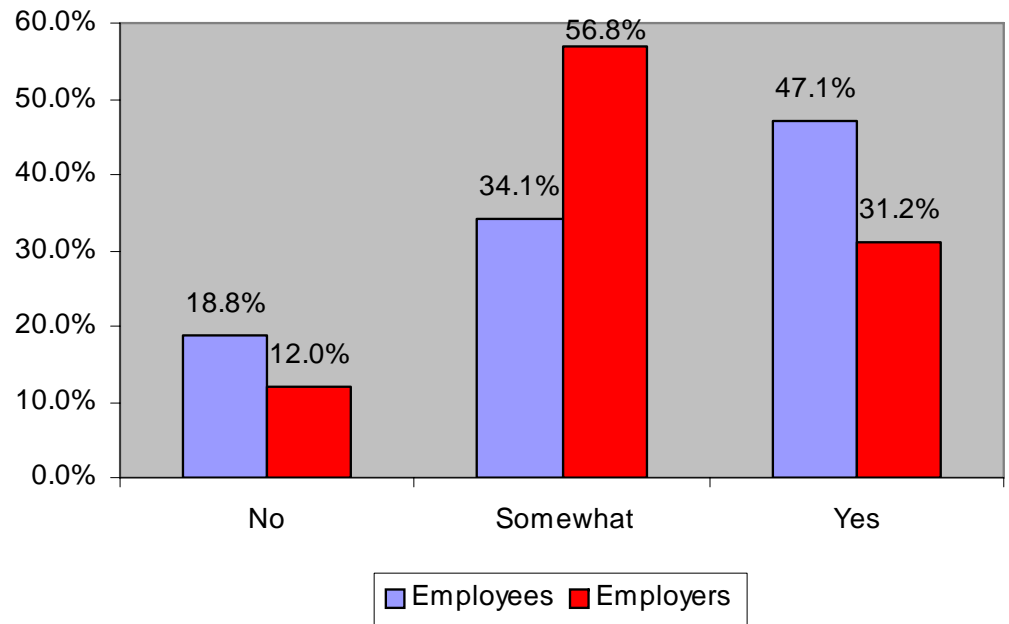
What percentage of employee tasks are managers aware of?



One Area of Agreement: Performance Reviews Are Linked to Pay

Over 88% of managers and 81% of employees agree that performance reviews are at least partially responsible for pay increases.

Are formal reviews directly linked to pay increases?



About Salary.com

Salary.com is a leading provider of on-demand compensation management solutions helping businesses and individuals manage pay and performance.

Individuals

- [Salary Wizard™ \(free\)](#)
National market pay information for a single job.
- [Personal Salary Report](#)
Detailed market data for a single job taking into account the employer's size, location, and industry and the employee's experience, education, and performance.

Small Businesses

- [Market Pay Data](#)
Salary.com Professional is an easy-to-use interactive tool that helps small employers assess what companies like theirs pay their employees.
- [Job Valuation Report](#)
This report provides the employer with detailed market data for a single job based on company and employee information.
- [Compensation Market Study](#)
This report provides a snapshot of the market pay practices for a single family of jobs.

Large Businesses

- [Market Pay Data](#)
Our Job Analyzer module offers market-priced data on over 3,000 jobs, scoped by industry, company size, and location.
- [Online Survey Library](#)
Use our Survey Center module to store and access all your purchased surveys so you can easily access them in one online database.
- [Compensation Planning & Performance Tools](#)
Reduce the time it takes to administer the annual compensation review process by using our enterprise compensation planning solution. TalentManager handles all aspects of an employee's review including performance, base, variable, and stock components.
- [Custom Surveys](#)
Create a survey of an exact peer group of employers covering the elements of compensation most important to you.