

Results of Rewards Survey: Broad Banding Pay Programs

Survey Process

Survey Results

Visit our website for past newsletters, clients in your area and other items of interest, or to e-mail us a question.

www.foxlawson.com



We conducted a nation-wide pay practices survey last year. The survey collected data from 273 organizations regarding specific changes in their compensation programs. 112 (41%) indicated they changed one or more of the elements of their compensation program in the past three years:

This article deals with one aspect of Alternative Pay Practices: Broad Banding.

Broad banding collapses a number of salary grades within a structure into only a few salary grades with wide ranges. More specifically, it consolidates as many as four or five different grades into one grade. The consolidation typically allows organizations to define jobs more broadly and eliminates layers of an organization.

SURVEY PROCESS

Organizations were asked to identify why they implemented broad banding, which job families were included, which broad band approach they selected, how the ranges moved, and how they plan to manage the system.

SURVEY RESULTS

The average organization that adopted new salary ranges had about 3100 employees. 33% of these organizations were City organizations, 33% were County organizations, 11% were Colleges, 11% were State organizations, and 11% were Special Districts.

The lists below summarize the most important and least important reasons why they implemented a broad band system, and the percentage of organizations that responded.

Most Important:

- Link Pay With Performance - 78%
- Improve Workforce Morale - 78%
- Improve Recruitment Results - 67%
- Improve Workforce Flexibility - 56%

Least Important:

- Avoid Unionization - 100%
- Reduce Cost - 78%
- As a Result of a Collective Barg. Agreement - 78%

The following list indicates the percentage of organizations that implemented a broad banding system for the following employee groups.

- Management - 63%
- Professional/Technical - 63%
- Clerical/Administrative - 63%
- Trades/Maintenance - 25%
- Protective Services - 25%

The list below summarizes the approaches the organizations used in adopting broad banding and the percentage of organizations that responded.

- Broad Salary Grades - 50%
- Broad Salary Grades & Job Definitions - 38%

**Fox Lawson
& Associates LLC solves
strategic compensation
and human resources
issues of organizations
experiencing significant
change.**

**We assist organizations
to align their
compensation, benefits
and human resources
systems to their
organization objectives.**

**We have solutions for
people who pay people.**



FOX LAWSON & ASSOCIATES LLC
COMPENSATION AND HUMAN RESOURCES SPECIALISTS

Offices:
1335 County Road D. Circle East
St. Paul, Minnesota 55109-5260

Phone: 800-383-0976
Fax: 651-635-0980
E-mail: jfox@foxlawson.com

P. O. Box 32985
Phoenix, Arizona 85064-2985

Phone: 602-840-1070
Fax: 602-840-1071
E-mail: blawson@foxlawson.com

Broad Definitions of Job Responsibilities (Career Bands) - 13%

The next list summarizes the methodologies organizations used to manage the broad band system:

Merit/Budget Guidelines - 85%

Market Data - 71%

Job Eval Results - 43%

Skill Blocks - 29%

Competency Levels - 29%

The percentages may total over 100% because organizations were able to choose more than one of the possible choices.

ANALYSIS OF RESULTS

The majority of organizations implemented a broad banding system to link with pay for performance. Therefore, it comes as no surprise that the majority of organizations plan on managing the system by merit/budget guidelines. Merit based guidelines can be subjective in nature, however we understand the benefit of merit increases because they can be statistically analyzed according to match predicted budget increases. However, job evaluation, designed for the broad band system also has a place in maintaining the system.

Using job evaluation to manage a broad band system is easier to defend than through pure market or merit

guidelines. Merit and market guidelines can be subjective and are less stable than job evaluation systems. Furthermore, job evaluation systems tend to be used across the organization, while merit guidelines are sometimes used by department or even by position.

Broad banding opens a number of opportunities for organizations. For example, broad banding often serves as a vehicle for other compensation related issues, such as reducing the cost of payroll administration, implementing a skill or competency based pay program, reducing the number of job descriptions, improving market parity, simplifying lateral transfers, and decentralizing human resources functions to departments. Organizations must ensure they are ready to undergo such change, because it is significant.

Organizations must have clear and consistent reasons for implementing the system; or else the employees may reject it. Task significance and identity can have a significant impact on an employee's intrinsic motivation. Again, broad banding combines multiple jobs into one broad salary range. If employees do not understand why they are being included with certain positions, it will make the transition difficult for the employees, and consequently the organization