back to basics

05 | 2016 workspan
The Magazine of WorldatWork©

Maintain Salary Structure for Effectiveness

Everything built in this world either physically or virtually needs periodic maintenance in order to operate as intended.

A salary structure is no different. A structure that isn't reviewed and updated on a regular basis can over time lose its ability to deliver on its intended purpose, which is to assist in managing pay in a way that promotes internal equity and external competitiveness.

The good news is that a salary structure isn't one of those things that appears to be working perfectly right up until the moment it disintegrates into virtual pieces around the office. Typically, an astute compensation professional can detect several warning indicators that something is amiss. A few of the warnings may include:

1 | **Large numbers of employees bunched near the minimum or maximum or completely outside the range** — While there may be legitimate reasons to have some employees at or near the extremes of your ranges, having large numbers there is a signal of problems. Assuming you don't have a case of an extremely senior workforce with no turnover, large numbers at the maximum may be an indication that your salary ranges have not kept pace with market rates. Conversely, employees bunched up at the range minimums may be fine if you've just hired a large number of people to start or ramp up an operation. However, if the situation seems to be a perpetual issue at many or all grade levels, then that brings into question whether your salary structure is reflective of your pay philosophy. Additionally, sometimes salary increase guidelines don't reflect the realities of your structure design. For example, if your structure is set up with a 15 percent differential between one grade midpoint and the next higher grade midpoint, but your promotional increase guideline only allows for a 7 percent to 10 percent maximum increase, then you run into a problem where employees are continually trying to "catch up" to their salary ranges. Ranges and guidelines need to be synced up so they work together and not against each other.

2 | **Increasing time to fill open positions or turnover** — If your colleagues in the staffing/talent acquisition department tell you they simply can't fill jobs at a reasonable position within your ranges, this is an obvious sign that a market review is in order. Also, to the extent that your organization does exit interviews, find out how many are leaving because of pay.

3 | **Increasing requests to reevaluate positions** — Another subtle sign that your structure may be out of step is if you start getting increasing numbers of requests to reevaluate the grades of positions. This can also occur during times when annual salary increases have been suspended and managers are simply looking for a way to get an employee some more money, which is unrelated to a structural problem. Assuming your jobs are accurately graded within your structure, many requests to upgrade simply reflect that your ranges are too low compared with what competitors are paying.

When working as designed, salary structures should be helpful and not a barrier for you and your line managers effectively to manage pay. Pay attention to the feedback and to the data you collect, and you'll keep your structures humming along. ws

Kerry Chou, CCP, CBP, GRP, CSCP, CECP, is a senior practice leader at WorldatWork. Contact him at kerry.chou@worldatwork.org.

know the basics

Back to Basics is intended to provide entry-level information on issues relevant to compensation, benefits and the work experience. Though factual in nature, nothing herein is to be construed as legal, accounting, actuarial or other such professional advice.

© 2016 WorldatWork. All Rights Reserved. For information about reprints/re-use, email **copyright@worldatwork.org** | www.worldatwork.org | 877-951-9191 WorldatWork