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Raises and Salary Structure

Q: **When a position of ours has morphed and the salary range needs adjustment, all employees in that position are given an increase at that time, equivalent to the amount the range minimum was raised. My concern is that this ends up giving pay increases to employees who already are paid above-market wages, with no consideration of their performance.**

Also, such "group raises" seem to create a rumor buzz that results in lower morale for employees in positions that do not get an adjustment. How do companies successfully adjust their ranges without creating the "what about mine" syndrome, while also addressing the employees who are already above market?

--- Head-Spinning in human resources, Utilities, Redlands, California.

A: Companies adjust salary ranges for jobs for several reasons. One, salaries may simply be going up in the market overall. In this case, salary ranges are increased for all grades and for all jobs at a certain time of the year.

Sometimes, a company will adjust ranges just for specific types of jobs, because talent is scarce and wages are rising quickly in those jobs. Lastly, companies sometimes set up a new salary range when the content of the job has changed.

Let's focus on this last type of change, because that's what you're dealing with. Now, let's assume you've done a job evaluation and determined that the job should be elevated to a higher salary range. You now have several choices:

1. Adjust all salaries by the amount of increase in the range minimum, range midpoint or market rate (your current practice)
2. Adjust the salaries of employees who are below a certain point in the new salary range (such as midpoint or market rate)
3. Adjust the salaries of employees below the new range minimum to the new range minimum
4. Do not adjust any salaries now, but adjust those employees below the new range minimum on the date of their next merit increase or wage adjustment.

Each of these alternatives has advantages and disadvantages. The most costly is the first option, since you're raising the salaries of everyone in the job, regardless of pay level. This leads to job re-evaluations being viewed as an entitlement. Salaries are increasing regardless of the market rate, and the more increases you grant, the more managers will assume it's an easy way to get "free" (off-budget) increases for staff. The least costly, and disruptive, are options three and four. Many firms choose option three because:

- It provides increases for those who are below the salary range and whose salaries would typically need to be adjusted
- It ensures that employees are paid within the
- salary range, but not excessively
- It generally has only a minor cost impact, and directs dollars more effectively to below-market salaries.

I'd apply a performance caveat to whatever option you choose. Companies that assess performance regularly can avoid paying these adjustments to employees whose performance is below expectations.

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Originally published by Workforce Management on March, 2004. Workforce Management delivers the latest news, trends and tools for managing your workforce. Please go to www.Workforce.com for information and subscriber access.