



## Understanding the Importance of Justifying Salary Levels

**Q:** We run a broadband pay scheme, with two or three zones to each band. The problem I have is twofold: managing the broadband salaries budget and giving greater freedom to our HR community. We already allow local managers to exercise discretion when setting starting salaries, providing they can justify why pay should be above or below the norm. Yet they say they want more "freedom to act," without having to justify salaries based on a person's knowledge, skills and experience. How do I get the message across that local discretion is given, but must be justified to ensure fairness and consistency?

--- Squeezed by Broadband, nonprofit, Chinnor, England.

**A:** The problem you describe outlines the general difficulties of a broadband pay system, which is predicated upon giving managers latitude to appropriately reward high performers and effectively manage overall salaries. In addition, by de-emphasizing "grade creep," administration time decreases while your ability to pay competitively for each job role increases. However, the difficulty lies in the fact that the bands are much less constrained than typical grade structures. Budget limitations notwithstanding, managers who are not trained to "make the tough call" can rapidly drive pay levels out of control as they try to satisfy pay-increase demands for staff members.

Your problems lie both with positioning and communication. Broadbanding is not a human resources program, and should not be seen as such. Instead, it is a tool for management to allocate salary dollars to individuals within the organization. HR's role is not to control the program, but to train, educate and monitor. You should evaluate any materials you have that describe the program, including policy statements, procedural manuals, salary planning guidelines and managerial training documents, to examine how your company has positioned broadbanding.

In addition, the successful use of broadbanding as a system for pay administration involves educating managers and the HR team on market factors that determine competitive pay, how to manage performance and attending to internal equity. These three areas of focus affect the placement of jobs within the bands (or zones), the rate of pay for new hires and also the management of pay increases.

Jobs are positioned within the zones of each band based on a market evaluation of competitive salary data. You will want to educate managers on which market data are used as well as why a given zone reflects the appropriate competitive pay for the job. The zones reflect the actual cost of labor for assigned jobs or roles.

Salaries for newly hired employees are based on the person's relative knowledge, skills and experience in comparison with others in the same job. Salaries need to be based on something other than gut feel, and this methodology provides a relatively reliable way of setting new-hire pay. Human resources can provide guidance in determining equitable salary offers during the hiring process, but it needs to understand the fundamentals first and to have a basic analytical tool kit. This is not a matter of control or justification, but rather a matter of service to the management team.

Pay increases for employees within a particular group are based on some combination of performance, job competence and market competitiveness. Although budgets for annual

salary increases generally are used to control costs, it is difficult to legislate managerial behavior simply through budgets. Instead, provide managers with training on salary administration to equip them with the tools, techniques and knowledge needed to use the system effectively (and also to help the HR staff support system operations). This in turn allows HR to assist its clients with implementation and to resolve any issues that arise. Training also serves to maintain consistency throughout the organization. In other words, the messages conveyed by managers are the same messages that get sent to all employees.

One last point: Messages you want to convey should start at the top and move down to all levels. As you address these issues, there are no better people to deliver these messages than your CEO and your vice president of HR.

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