

## “Salary Range Boundaries”

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Are you like me in taking for granted the highway and interstate pavement markings that constantly remind us where the middle of two lanes exist and the road margins on the left and right side of the road? They are mindlessly ever-present and they serve a significant purpose of consciously or unconsciously keeping us inside the road line boundaries or not crossing the center line to oncoming traffic.

Salary range minimums, midpoints and maximums, though not as life-saving as road pavement lines, also serve a purpose of keeping salaries within a defined boundary. Each year our firm completes two regional salary and benefits studies with approximately 50 to 100 participating organizations in each study. I am always surprised at the number of organizations that operate their compensation programs without salary ranges or unbalanced pay ranges.

Historically, based on common compensation practices, the range minimum is 80% of the range midpoint and the range maximum is 120% of the range midpoint. With the downturn in the economy and its impact on decreasing annual pay increase percentages, we have begun to notice the ranges tightening up some with an 85% to 115% or 120% spread. This year, while evaluating the submitted salary range data, I observed narrow ranges from 95% to 105% and wide pay ranges from 60% to 140%. So what are some of the reasons for the different pay ranges and which one should I use at my organization may be questions that you are asking. One of the reasons for the tighter pay ranges, especially with employees on the lower-end of the pay scale, would be to get those employees to mid-point or market faster. A different rationale to widen the pay ranges would be to implement a broadband pay system that offers greater compensation growth for professional and managerial positions within established pay bands.

Like the road pavement lines, salary range boundaries are meant to provide minimum and maximum pay value boundaries so an organization can manage employee pay and offer competitive and optimal pay for the work performed. Utilizing a point-factor job evaluation system which assigns a weighted point value for each position, applying a consistent and balanced range structure and obtaining bi-annual market pay data represent some of the key components for an effective and equitable compensation program. Effective compensation programs that attract and retain competent employees stay within the lines on base pay boundaries and allow variable pay for performance to take employees' pay above the lines.