

## Broadbanding And Why Your Organisation Should Try It

Author: Carl Tapi . August 2020

### What is broad banding?

Broad banding refers to a pay structure that has wide ranges between the minimum salary and maximum salary per grade. The common salary ranges for standard pay structures range from as low as 5% to as high as 40%. In a broad-banded structure, the salary range is wide, ranging from as low as 60% to as high as 100%. In rare cases, broad-banded structures can go above 100%. People need to understand that adopting a broad-banded structure is a reflection of the organisation’s philosophy around pay. The underlying philosophy around broad-banded structures is that the organisation strongly believes that it needs wide ranges to enable it to reward employees significantly different from one another even if they belong to the same band. The philosophy acknowledges that while a job grade groups and reflects jobs of the same value, within that same grade individual contribution by employees, can significantly vary and that must be acknowledged through pay differentials between individuals in the same band.

**Table 1: Sample Broad Banded Structure**

Band	Grade	Min	Midpoint	Max	Range	Progression
Executives	1	11118	15565	20012	80%	60%
Senior Executives	2	6949	9728	12507	80%	60%
Junior Managers/Professionals	3	4108	6080	7395	80%	60%
Non-Managerial Staff	4	2714	3800	4886	80%	N/A

### Objectives of broad banding?

A broad-banded pay structure can be instituted to achieve several objectives within the broader pay philosophy of the organisation. Here are some of the objectives of a broad-banded pay structure:

- To drive organisational culture change- Some organisations can introduce broad banding to drive culture change. As an example, an organisation may want to implement a pay philosophy change as part of an organisation-wide culture change program. The broad banding is likely to be instituted to support a performance-based pay culture where merit increases are more frequently

based on individual performance than guaranteed increases.

- To reward top performers more significantly than other performers – when the organisation intends to reward its employees more significantly based on performance it can institute broad banding. Broad banding ensures that the organisation is not constrained by the narrow ranges found in traditional pay structures.
- Reward people in a lower grade higher than those in higher grades if they are top performers. Sometimes broad banding can help the organisation to reward an individual in a lower grade higher than an employee in a higher grade because of the wide ranges, which also overlaps with an adjacent lower grade.

## Advantages of broad banding

There are several advantages of broad banding here I will share the key ones. Any moves to broad banding must be accompanied by a very strong pay philosophy. Without a strong pay philosophy, broad banding may not bring the necessary advantages often associated with a properly implemented broad-banded pay structure. Here are some of the advantages of implementing broad banding;

- It makes it easier to differentiate employees based on superior performance. The broad-banded structure allows you to reward your top performers significantly. Because of this advantage, it is possible to have your top employees being paid 80% better than a poor performer in the same grade, who very likely in such a structure will be paid at the bottom of that grade.
- Broad banding brings flexibility to the management of a pay structure. As an example, because the bands are so wide, it is possible to have several roles than those you would expect in normal grade. This tends to erase feelings of inequity normally raised by many employees against the standard grades.
- With broad banding, it is possible to support dual-career ladders. This is very helpful in organisations where there are usually complains related to differentiating between technical roles and support functions. Broad banding allows you to put in the same band support function and technical roles and differentiate them based on their performance or contribution.
- Broad banding allows your organisation to flatten your grading structure. Instead of having 16 grades as an example where people jostle for power to get into higher grades, you may end up with only six grades from the lowest role to the highest role.
- Broad banding is the solution to one of the perennial problems found in compensation administration; pay compression. Pay compression occurs when there is no, to little salary differentiation for people in the same grade. With broad banding the scope for pay differentiation is huge.

## Disadvantages of Board Banding

Despite the attractiveness of the broad banding approach, some disadvantages may arise.

- Broad banding may result in high compensation costs that are not sustainable for the business. Because its philosophy is underpinned by significant pay differentials, it tends to results in higher costs for the employer.

Broad banding needs to be supported by strong and objective performance management and measurement system at all levels within the organisation. Without a strong and objective performance assessment system, salary allocation may end up

- being arbitrary or based on factors that do not add value to the business such as tenure and qualifications held by incumbents.
- Without a strong buy-in from staff, broad banding may be rejected by employees as it is seen as elitist. Employees view broad banding in general as a system that promotes inequity. It can face strong resistance in highly unionized environments.
- Broad banding results in very few upward grade promotional opportunities as most roles will be bundled together in one grade. For your highly ambitious employees who look beyond the good pay, they may be forced to leave the organisation.
- Broad banding makes it difficult to do salary market comparison based on grade value. Most organisations are not on this system. It is, therefore, possible roles grouped under broadband in your organisation may belong to different grades on the open market, making it difficult to do grade based market salary comparisons.
- Without strong guidelines for managers on how salary adjustments and changes should be done, it can result in a chaotic approach by managers. Such an approach will result in complains of inequity.

## **The best way to implement broad banding**

When implemented properly broad banding can bring several advantages. Certain key elements need to be done right from the start if broad banding is to work and bring value to your business. Here are the key elements

1. Make sure the jobs that are in one band are jobs of equal value. This will stop people from complaining. If this issue is addressed, the system is unlikely to be opposed by Unions. Also, remember that the foundation of any sustainable pay structure is a credible job evaluation system which must be fully endorsed by all employees.
2. Once the job evaluation system with broad bands has been accepted, you can proceed to develop a pay structure based on the broadband model. For the broad-banded pay structure to work, the pay range must be above 60% and the progression above 30%. Without adhering to proper pay structure principles, the benefits of broad banding will be short-lived.
3. Involve your employees from stage one, especially clearly outlining the benefits of broad banding to them. Communication is key to this process. You may require to do roadshows to educate your employees on why the organisation has adopted a broad handed structure and how they will benefit
4. Before you even start the process of developing a broad-banded structure, you must ensure you have a credible performance management system. This will allow you to administer a credible merit increases system within the broad-banded framework.
5. The broad-banded structure must be accompanied by very clear policies and procedures to aid in the administration of this practice.
6. The broadband structure must be designed such that the focus is on the person and not the job.

While job evaluation and traditional pay structures focus on the job, broadband focuses on rewarding the individual for their contribution.

## Conclusion

The broad banding approach to remuneration and compensation structuring can work provided the necessary design precautions have been taken into consideration. In cases where design precautions already highlighted are not taken into consideration, broad banding can bring more problems for the organisation. In summary broad banding, is a good system provided the right designs issues are addressed in the initial stages of the design process? Research shows that broad banding prevalence in organisations ranges from 6% to 10%. The uptake is not that good and it would seem most organisations are cautious to adopt the broadband approach.

*Carl Tapi is a Consultant at Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. <https://www.linkedin.com/in/carl-tapi-45776482/> Phone +263 (242) 481946-48/481950 or cell number +263 772 469 680 or email: [carl@ipccconsultants.com](mailto:carl@ipccconsultants.com) or visit our website at [www.ipccconsultants.com](http://www.ipccconsultants.com)*

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