

Compensation:

Broadbanding Structure Development – Benchmarking

(How we developed the broadbands; how we placed positions in respective bands.)

The term "broadbanding" has no single definition. Generally it refers to the melding of job clusters or tiers of positions into relatively wide bands of pay ranges for the purpose of gaining flexibility in managing career growth and administering base pay. In effect the bands are implemented as an alternative to traditional pay grade structures.

Banding collapses a number of pay ranges in a traditional structure into a few broad bands, each spanning the pay opportunity formerly covered by several separate pay ranges. There is no standard definition for "a few bands," nor are there a common number of bands from one organization to another. Nonetheless, companies adopting this approach generally have reduced the number of pay ranges by one half to two thirds. For example, a Client with twelve exempt grades may only use four or five exempt bands.

As with traditional ranges, the spread of a broadband can vary. It is often around 100 percent, but may be as narrow as 75 percent or wider than 125 percent or even 200 percent. We initially recommend a spread of 100% for all positions. As you get more comfortable with the use of broadbands a larger range is recommended.

1. We typically start with a review of national database descriptions of jobs surveyed for their annual market salary surveys.
2. PRI assigns CLIENT codes to each CLIENT position that corresponds to these descriptions.
 - PRI also revisits these descriptions with further inputs from line management to confirm that we are properly aligned with the market.
3. Once this was completed, we identify CLIENT survey data for CLIENT's industry's job market –
 - Low; Mid; High in the national market database
4. Since our approach is to "bench mark" the external market place, we then need to know exactly what we have at the CLIENT. Thus, we create a "current state" range for all CLIENT jobs. To do this, we collect all current pay rates into the following spreadsheet headings for each job.
 - Low; Mid Point; and High
5. Where sequential steps existed between job codes (with CLIENT jobs that corresponded to national market job descriptions), we identify the average percent increase from mid point to mid point for all such bench marked jobs. (The formula I used will vary from CLIENT to CLIENT containing a 10% to 25% delta between mid points.)
6. Next, we identify the average percent spread from low to high within the external market represented in the national normative data. (This becomes the determinant

for the initial formula we used was to create approximately a 100% min-max spread.)

7. With this quantitative information, PRI then creates the base salary ranges, by CLIENT codes for all CLIENT jobs.
 - To accomplish this, we simply placed each CLIENT coded job within these ranges based on their mid-point matching the mid-point on the base salary range table.
8. Given that each CLIENT job has been assigned a CLIENT code (Step #2) this automatically assigns all current CLIENT employees a salary band for their respective job description.
9. Each employee's current base pay will be reviewed as a "comp ratio" within the assigned range.

With the above referenced process, we will go over every code, current CLIENT employee pay rates, and assigned them a proposed broadband.

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