

Salary Structure Policies and Practices

A report by WorldatWork
and Deloitte Consulting LLP
October 2012



research

Deloitte.

WorldatWork
The Total Rewards Association



About WorldatWork® – The Total Rewards Association

WorldatWork (www.worldatwork.org) is a nonprofit human resources association for professionals and organizations focused on compensation, benefits, work-life effectiveness and total rewards – strategies to attract, motivate and retain an engaged and productive workforce. WorldatWork and its affiliates provide comprehensive education, certification, research, advocacy and community, enhancing careers of professionals and, ultimately, achieving better results for the organizations they serve. WorldatWork has more than 65,000 members and subscribers worldwide; 95 percent of Fortune 500 companies employ a WorldatWork member. Founded in 1955, WorldatWork is affiliated with more than 70 local human resources associations and has offices in Scottsdale, Ariz., and Washington, D.C.

WorldatWork Society of Certified Professionals® is the certifying body for six prestigious designations: the Certified Compensation Professional® (CCP®), Certified Benefits Professional® (CBP), Global Remuneration Professional (GRP®), Work-Life Certified Professional® (WLCP®), Certified Sales Compensation Professional (CSCP)™ and Certified Executive Compensation Professional (CECP)™.

The WorldatWork group of registered marks also includes: Alliance for Work-Life Progress or AWLP, *workspan* and *WorldatWork Journal*.

Contact:

WorldatWork Customer Relations

14040 N. Northsight Blvd.

Scottsdale, Arizona USA

85260-3601

Toll free: 877-951-9191

Fax: 480-483-8352

CustomerRelations@worldatwork.org



Deloitte Consulting's Human Capital practice specializes in providing broad-based business consulting services designed to help organizations in their efforts to integrate people issue resolution with their business strategy. Human Capital services are designed to help organizations in their efforts to enhance their performance, productivity, and profitability through their workforce. Through our deep industry experience, knowledge and skills, and providing innovative and comprehensive services and solutions, we help clients in their efforts to address their most complex issues.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting. The statements in this report reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any other entities. All survey data and statistics referenced and presented, as well as the representations made and opinions expressed, unless specifically described otherwise, pertain only to the participating organizations and their responses to the Deloitte/WorldatWork survey conducted in July and August, 2012.

Contact:

Deloitte Consulting LLP

Gregory A. Stoskopf, CCP

25 Broadway

New York, New York, 10004

Tel: 212-618-4627

gstoskopf@deloitte.com

Sheila C. Sever, CCP

1111 Bagby Street

Houston, Texas, 77002

Tel: 713-982-2627

ssever@deloitte.com

Table of Figures

Introduction	Page 2
Types of Salary Structures	4
Figure 1: Type of Salary Structure(s) Used for U.S.-based Employees	4
Table 1: Type of Structure by Industry	5
Table 2: Type of Structure by Organization Size	5
Table 3: Range Spread and Midpoint Progression by Structure	6
Table 4: Average Range Spread by Industry by Structure Type	7
Table 5: Average Range Spread by Company Size	8
Figure 10a: Type of Variances in Global Structures	10
Competitive Positioning	11
Figure 12: Consistency of Midpoints Tied to a Single Competitive Percentile	11
Figure 13: Distribution of Midpoints Tied to a Single Competitive Percentile	12
Frequency of Adjustment	13
Figure 18: Consistency in Frequency of Adjusting Salary Ranges	13
Figure 18a: Frequency of Adjusting Salary Ranges	13
Salary Structure Tools	15
Figure 24: System(s) of Record for Salary Range Data	16
Figure 25: Type(s) of Systems/Tools Used to Communicate Salary Ranges to Internal Customers	17
Conclusion	18
Appendix 1: Tables and Figures	19
Appendix 2: Type of Salary Structure Definitions	38

Introduction

This report summarizes the results of a July/August 2012 survey of WorldatWork members and nonmembers to gather information about current trends in salary structure policies and practices. The focus of this research is to better understand the types of salary structures as well as the designs and common practices in administration used by employers today. The survey was co-developed and co-sponsored by WorldatWork and Deloitte Consulting LLP.

Methodology

Invitations were emailed to 5,398 WorldatWork members on July 18, 2012. Survey participation also was open to Deloitte Consulting LLP contacts as well as individuals who signed up for a WorldatWork class titled, “Pay Structures – Develop a Framework from Start to Finish.” Survey participation closed Aug. 8, 2012. The survey was not exclusive to U.S. organizations. There were 910 responses in total, although sample size varies by survey question. The final data set was cleaned and analyzed using statistical software. Questions that received fewer than 30 responses are excluded from the analysis and this report.

Background

Gregory Stoskopf, a director at Deloitte Consulting LLP at the time this report was written, wrote a WorldatWork article in 2002 titled [“Choosing the Best Salary Structure for your Organization.”](#) In this article, Stoskopf described characteristics, practices and trends using traditional, broadband, market-based and step salary structures. Since its publication, the article remains one of the most frequently downloaded documents on the WorldatWork website. The “2012 Survey of Salary Structure Policies and Practices” aimed to explore how the use of salary structures has shifted in the past 10 years, and its results may reference the original article.

Survey Highlights

The survey findings can be organized into four topics: Type of salary structures used by organizations and their characteristics, use of competitive positioning percentiles, frequency of salary structure adjustment, and tools used in salary structure design and administration.

Key findings and trends:

- Market-based salary structures are the most predominant type of salary structure used by survey participants (64%). While traditional and broadband structures have been more popular in the past¹, the use of traditional and broadband structures in organizations today is low in comparison (23% and 12%, respectively).
- Variation in salary structure practices is infrequent, but not uncommon for organizations:
 - Job level and geographic location are the most popular triggers for variation in structure type.
 - Competitive positioning most frequently varies by job function and job level.
 - Frequency of adjustment most commonly varies by job function and job level.
- Traditional structure range spreads appear to have increased over time and midpoint progressions have increased.

¹

Stoskopf, Gregory. 2002. “Choosing the Right Salary Structure for your Organization.” *WorldatWork Journal* 11(4)

- For market-based structures, broadbands and step structures, larger organizations tend to have wider ranges and smaller organizations have narrower ranges.
- Consulting, Professional, Scientific and Technical Services appear to be the heaviest users of market-based ranges. Besides market-based structures, sizable groups within Health Care and Social Assistance and Utilities, Oil & Gas also use traditional structures, broadbands and step structures.
- 57% of organizations responded that they use global structures for their employees outside of the United States. A majority (70%) of these organizations use grades only (rather than bands alone or bands in combination with grades) in their global structures.
- Out of 80% who responded that they use a consistent competitive positioning for midpoints, 90% of survey participants consistently target midpoint at the 50th percentile (median) of the market.
- Out of the 80% who responded that the salary ranges are adjusted at a consistent frequency in their organization, 70% said that salary ranges are adjusted on an annual basis while 12% said that salary ranges are adjusted every two years.
- Spreadsheet applications (e.g., Microsoft Excel) are the most popular tool for salary structure design, administration, record and communication. Point solutions (e.g., tools specifically focused on salary structure management) and enterprise systems (e.g., Oracle, PeopleSoft, SAP) are other common tools for design, administration and record. Email and company intranet are other common communication tools. .

Types of Salary Structures

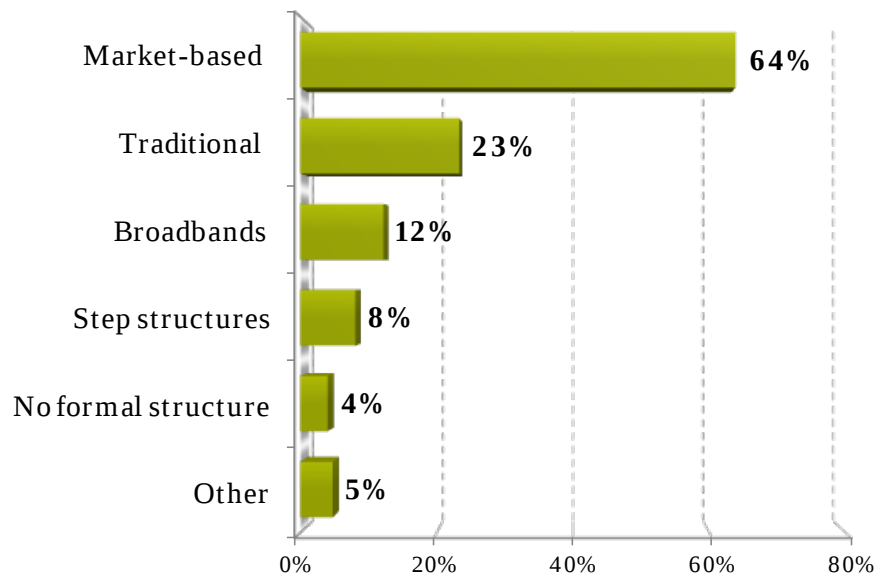
Salary structures serve as the foundation of administering base pay within organizations. Although not a fast-moving trend, there has been a shift in their use. In the survey, the types of salary structures were defined as follows:

- **Traditional:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%
- **Market-based:** Typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%
- **Broadbands:** Typically have range spreads of 80% to 200% with no defined midpoints
- **Step structure:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10% with defined points (steps) within the ranges.

Salary Structure Practices

Market-based salary structures were the most prevalent type of structure used by survey participants, with 64% of organizations responding that they use these structures (n=910). 23% of participants used a traditional structure, followed by 12% using a broadband structure. In the 2002 study, the *William M. Mercer Policy and Practices Survey* reported that 75% to 80% of respondents used traditional structures for all employee groups except management and fewer than 15% of respondents had implemented broadbands. (See Figure 1.)

Figure 1: Type of Salary Structure(s) used for US-based Employees



Comparing the results of the Mercer survey to this 2012 study, there appears to be an **upward trend of organizations using market-based structures** and a downward trend of organizations using traditional structures. The number of organizations using broadbands appears to have decreased slightly. 4% of participants indicated that they had no formal structures and 5% responded that they use “Other” types of salary structures.

In the 2002 study, Stoskopf stated that investment and financial services companies, pharmaceutical companies, professional services or other organizations “desiring to win the war for talent” were best suited for market-based structures. In the 2012 survey results, market-based ranges are the predominant type of structure across all the defined industries. **Consulting, Professional, and Scientific and Technical Services** appear to be the heaviest users of market-based ranges. Comparatively, sizable groups within **Health Care and Social Assistance, and Utilities, Oil and Gas** also use traditional (26% and 20%, respectively), broadbands (26% and 12%, respectively), and step structures (15% and 10%, respectively). (See Table 1.) Stoskopf wrote that health care, public sector and education commonly used step structures in 2002. The 2012 survey results show that the Health Care and Social Assistance industry appears to be the highest user of step structures out of the industry options provided to participants.

Table 1: Type of Structure by Industry

Industry	Traditional	Market-based	Broadbands	Step Structures	Other
Finance and Insurance (n=108)	19.8%	68.3%	14.9%	1.0%	3.0%
All Other Manufacturing (n=120)	22.2%	71.7%	15.2%	8.1%	4.0%
Health Care & Social Assistance (n=38)	25.9%	66.7%	25.9%	14.8%	7.4%
Consulting, Professional, Scientific and Technical Services (n=59)	15.4%	78.8%	13.5%	1.9%	3.8%
Utilities, Oil and Gas (n=58)	20.0%	68.0%	12.0%	10.0%	6.0%

Market-based ranges also are the predominant type of structure consistently across organization sizes, followed by traditional structures and then broadbands. (See Table 2.)

Table 2: Type of Structure by Organization Size

Organization Size (No. of Employees)	Traditional	Market-based	Broadbands	Step Structures	Other
Less than 100 (n=8)	14.3%	71.4%	14.3%	0.0%	14.3%
101 to 999 (n=79)	23.4%	59.7%	6.5%	6.5%	6.5%
1,000 to 4,999 (n=320)	21.6%	69.3%	10.8%	6.6%	3.1%
5,000 to 19,999 (n=303)	20.2%	64.8%	14.2%	9.4%	4.9%
Greater than 20,000 (n=188)	24.4%	66.5%	14.0%	6.7%	3.0%

Structure Characteristics: Range Spreads and Midpoint Progressions

Of those organizations using **traditional structures** (n=139), the average range spread was 36% (narrowest) to 46% (widest), **which is wider than the traditional structures defined in Stoskopf's 2002 article**. The most prevalent midpoint progression responses were 10% to 14% (33%), followed by 5% to 9% (24%), and then 15% to 19% (12%). This finding may be a nod to the trend to loosen midpoint progressions (historically tight, 5% to 9%) and reduce the number of grades as Stoskopf described in 2002. 15% of organizations indicated that the midpoint progression varies.

Of those organizations using **market-based structures** (n=443), the average range spread was 47% (narrowest) to 58% (widest). The most prevalent midpoint progression responses were 10% to 14% (39%), followed by 15% to 19% (20%), and then 20% to 30% (7%). 21% indicated that the midpoint progression varies.

Of those organizations using **broadband structures** (n=66), the average range spread was 85% (narrowest) to 153% (widest). 36% of participants indicated that midpoints were not defined, 18% use a midpoint progression of 20% to 30%, 12% use a midpoint progression of greater than 30%, and 8% use a midpoint progression of 15% to 19%. 21% indicated that the midpoint progression varies.

Of those organizations using **step structures** (n=38), the average range spread was 24% (narrowest) to 43% (widest), and the most prevalent midpoint progression responses were 5% to 9% (17%), followed by less than 5% (20%), and then 10% to 14% (12%). (See Table 3.) 37% indicated that the midpoint progression varies.

Table 3: Range Spread and Midpoint Progression by Structure

	Range Spread Average (Narrowest to Widest)		Midpoint Progression Prevalence							
	Narrowest % (average)	Widest% (average)	Less than 5%	5% to 9%	10% to 14%	15% to 19%	20% to 30%	Greater than 30%	Not defined	Varies
Traditional (typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%) (n=139)	35.6%	46.3%	6%	24%	33%	12%	6%	1%	4%	15%
Market-based (typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%) (n=443)	47.1%	58.1%	1%	6%	39%	20%	7%	1%	5%	21%
Broadbands (typically have range spreads of 80% to 200% with no defined midpoints) (n=66)	85.2%	153.3% ²	0%	0%	5%	8%	18%	12%	36%	21%
Step structures (typically have range spreads of 20% to 40% and midpoint progressions of 5% to 10%) (n=38)	23.9%	43.3%	13%	17%	12%	7%	2%	2%	12%	37%

² A value considered excessive was removed from the overall average of both the narrowest and widest calculation.

When analyzing range spread by industry, for **traditional structures**, Finance and Insurance has wider range spreads and Health Care and Social Assistance has narrower range spreads, comparatively. For **market-based structures**, all industries surveyed generally fall within the defined range spreads of 30% to 80%. For **broadbands**, Health Care and Social Assistance has the most variation in range spreads from narrowest to widest. For **step structures**, Finance and Insurance ranges tend to be broader, and Utilities, Oil and Gas ranges are somewhat narrower than the typical 20% to 40% range spread. (See Table 4.)

Table 4: Average Range Spread by Industry by Structure Type

Industry for Traditional Structures	Narrowest % (average)	Widest % (average)
Finance and Insurance	39.1	61.8
All Other Manufacturing	36.3	47.6
Health Care and Social Assistance	33.7	49.3
Consulting, Professional, Scientific and Technical Services	43.0	50.0
Utilities, Oil and Gas	37.2	45.5

Industry for Market-based Structures	Narrowest % (average)	Widest % (average)
Finance and Insurance	50.5	71.7
All Other Manufacturing	47.8	66.7
Health Care and Social Assistance	53.4	72.5
Consulting, Professional, Scientific and Technical Services	48.7	69.8
Utilities, Oil and Gas	45.2	63.7

Industry for Broadbands	Narrowest % (average)	Widest % (average)
Finance and Insurance	94.6	192.3
All Other Manufacturing	96.1	134.1
Health Care and Social Assistance	76.8	191.8
Consulting, Professional, Scientific and Technical Services	77.0	138.0
Utilities, Oil and Gas	95.0	128.3

Industry for Step Structures	Narrowest % (average)	Widest % (average)
Finance and Insurance	23.0	50.0
All Other Manufacturing	28.5	36.7
Health Care and Social Assistance	22.0	22.0
Consulting, Professional, Scientific and Technical Services	23.0	37.0
Utilities, Oil and Gas	10.0	30.0

When analyzing range spreads by organization size, range spreads for **traditional structures** appear fairly consistent across sizes. For **market-based structures, broadbands and step structures**, larger organizations (5,000 to 19,999) tend to have wider ranges whereas smaller organizations have narrower ranges. Also worth noting is that very large organizations (above 20,000) using traditional and step structures tend to have somewhat narrower range spreads than other size categories. (See Table 5.)

Table 5: Average Range Spread by Company Size

Traditional		
Size	Narrowest % (average)	Widest % (average)
101 to 999	38.7	48.5
1,000 to 4,999	34.7	55.3
5,000 to 19,999	37.6	49.8
Above 20,000	30.5	43.8

Market-based		
Size	Narrowest % (average)	Widest % (average)
Less than 100	33.3	48.3
101 to 999	42.8	62.7
1,000 to 4,999	46.2	65.1
5,000 to 19,999	49.1	66.3
Above 20,000	50.0	71.7

Broadbands		
Size	Narrowest % (average)	Widest % (average)
101 to 999	81.8	121.0
1,000 to 4,999	81.6	153.9
5,000 to 19,999	85.0	167.1
Above 20,000	98.5	154.5

Step Structures		
Size	Narrowest % (average)	Widest % (average)
101 to 999	30.5	49.25
1,000 to 4,999	30.6	44.9
5,000 to 19,999	22.1	48.9
Above 20,000	16.8	28.9

Structure Variations

17% of organizations responded that the type of salary structure used varies by job function or family (n=791). Overall, the trend noted by these organizations for the various functions (i.e., Accounting, Administration, Finance, HR, IT, Legal, Logistics/Supply Chain, Marketing, Operations, Research, and Sales) are **in line with results of the overall organization type of salary structure used. Market-based structures are the leading practice in each of the functions** (average of 62% of organizations across functions), followed by traditional (average of 19% of organizations across functions), broadband (average of 8% across functions), and step structures (average of 2% across functions). (See Figures 3 and 3a in the Appendix.)

37% of organizations responded that the type of salary structure used varies by job level (n=783). **Market-based structures are the leading practice in all of the job levels.** For Other Nonexempt, Exempt/Professional, and Supervisory/Managerial, market-based is followed by traditional structures and then broadbands. The **Executive level is roughly split between traditional and broadbands for the second most common structure type used, and Hourly/Production is roughly split between traditional and step structures for the second most common type of structure used.** (See Figures 4 and 4a in the Appendix.)

11% of organizations responded that the type of salary structure used varies by critical workforce segment (n=767). In the 2002 study, according to Stoskopf, especially in areas in which retaining top talent is important, market-based structures would help keep pay within the competitive range. Market-based structures are the most popular among all of the critical workforce segments. Traditional structures are the second-most popular for **Accounting and Finance Professionals, Engineers, Health-Care and Clinical Professionals, and Industrial/Skilled Professionals**. . However, for **IT and Sales Professionals, broadbands are slightly more popular than traditional structures** with 3% more organizations using broadbands than traditional structures in both functions. (See Figures 5 and 6 in the Appendix.)

30% of organizations responded that the type of salary structure used varies by geography (n=774). 53% of organizations apply structures based on **U.S. city/metropolitan area**, 34% use a **tier system**, 22% use **U.S. regions**, and 9% indicated **Other**. (See Figures 7 and 8 in the Appendix.)

Global Structures

57% of organizations responded that they use global structures for their employees outside of the United States (n=371). A majority (70%) of these organizations use grades in their global structures, while 20% use both grades and bands and 10% use only broadbands. (See Figures 9 and 10 in the Appendix.)

Most organizations indicated that their global salary structures vary by **major geographic region** (58%), followed by **job level** (38%), and then **job function or family** (21%) (n=200). 10% responded **Other**, which included text responses that alluded to assigning global structures by **country and office location**, which might consider local market data and cost of labor (e.g., average, high, premium). (See Figure 10a.)

Table 10a: Type of Variances in Global Structures
(Multiple selections were possible)

	Percentage
Major geographic region (e.g., country, EMEA, APAC)	58%
Job level (e.g., hourly/production, other nonexempt, exempt/professional)	38%
Job function/family (e.g., accounting, administration, finance, HR, IT, legal, logistics, marketing, operations)	21%
The global structure(s) does not vary; it applies to all jobs in all locations	17%
Critical workforce segment (e.g., accountants/finance professions, engineers, health-care/clinical professions)	5%
Other	10%

Competitive Positioning

The competitive strategy or policy typically is expressed in terms of percentile levels of targeted market compensation. A market median pay policy typically applies to both the base salary and benefits package provided by an organization, although the level at which a company competes can be different for these elements.

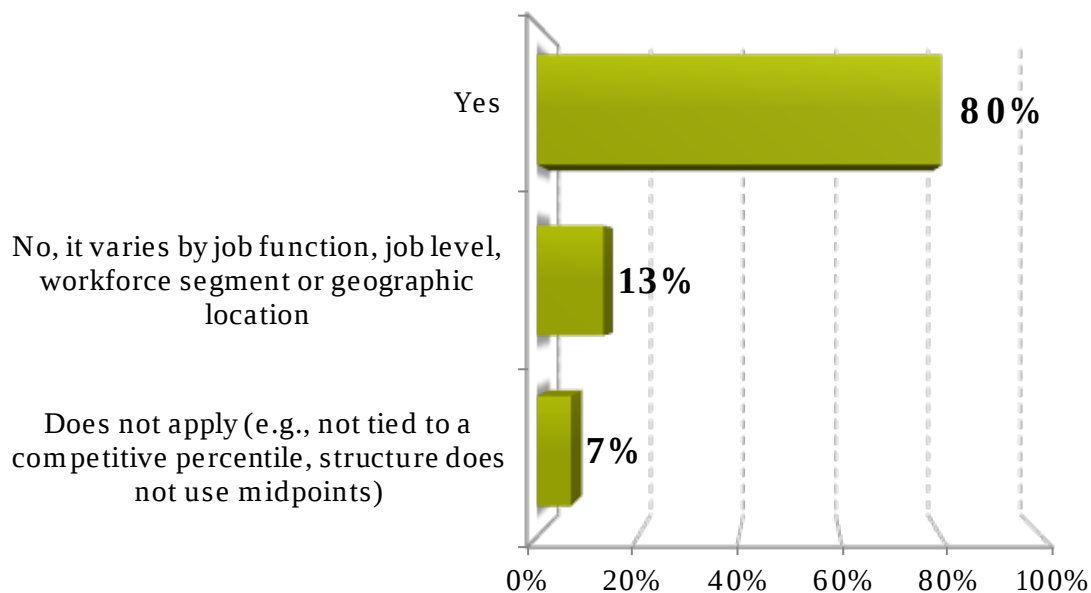
Competitive Positioning Practices

82% of organizations responded that the competitive percentile is based on base salary, followed by 13% with total cash compensation. 2% responded that they do not tie their structures to the competitive market (n=773). (See Figure 11 in the Appendix.)

Competitive Positioning Variations

80% of organizations said their midpoints are tied consistently to a single competitive percentile of the market and 13% of them said that their midpoints vary by job function, job level, workforce segment or geographic location (n=775). (See Figure 12)

Figure 12: Consistency of Midpoints tied to a Single Competitive Percentile



Also, of participants who responded that their midpoints are tied consistently to a single competitive percentile of the market (n=619), **90% said their midpoints are tied to the 50th percentile**. Common text responses for those who selected “Other” include “Average” and “65th percentile.” (See Figure 13.)

Figure 13: Distribution of Midpoints Tied to a Single Competitive Percentile

Percentile					
25th	40th	50th	60th	75th	Other
0%	0%	90%	5%	1%	3%

Of the 13% of respondents who said that their midpoints vary (n=101),

- 27% indicated that the targeted competitive percentile varies based on **job function/family** (e.g., Accounting, Administration, Finance, HR, IT, Legal, Logistics, Marketing, Operations). (See Figure 14 in the Appendix.)
- 28% indicated that the targeted competitive percentile varies based on **job level** (e.g., hourly/production, other nonexempt, exempt/professional, supervisory/managerial, executive). (See Figure 15 in the Appendix.)
- 25% indicated that the targeted competitive percentile varies based on **critical workforce segment** (e.g., Accountants/Finance Professionals, Engineers, Health-Care/Clinical Professionals). (See Figure 16 in the Appendix.)
- 19% indicated that the targeted competitive percentile varies based on **geographic location**. (See Figure 17 in the Appendix.)

Frequency of Adjustment

Companies typically review employees' pay and performance once each year, but market pay levels move continuously. Market pay levels typically increase over time because competing employers deliver salary increases to reward the performance of employees and maintain the competitiveness of their pay levels.

Structure Adjustment Practices

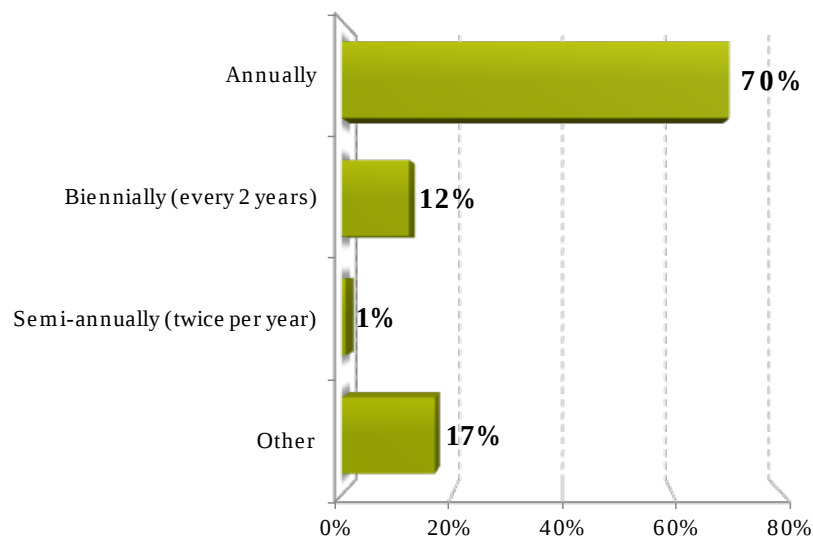
Of the participating organizations (n=773), **80% responded that salary ranges are adjusted at a consistent frequency in their organization, while 20% said it varies** by job function, job level or geographic location. (See Table 18.)

Table 18: Consistency in Frequency of Adjusting Salary Ranges

	Percentage
Yes	80%
No, it varies by job function, job level or geographic location	20%

Of the 80% who responded that the salary ranges are adjusted at a consistent frequency in their organization, **70% said salary ranges are adjusted on an annual basis, while 12% said salary ranges are adjusted every two years.** Frequent "Other" text responses on structure frequency included "as needed," "every three years" and "as the market shifts." (See Figure 18a.)

Figure 18a: Frequency of Adjusting Salary Ranges (n=615)



Adjustment Variations

Of the participants who responded that the salary range adjustment frequency varies (n=150):

- 18% said that frequency of the adjustment varies by **job function/family**. (See Figure 19 in the Appendix.)
- 18% said that frequency of the adjustment varies by **job level**. (See Figure 20 in the Appendix.)
- 16% said that frequency of the adjustment varies by **critical workforce segment**. (See Figure 21 in the Appendix.)
- 16% said that frequency of the adjustment varies by **geographic location**. (See Figure 21 in the Appendix.)

Salary Structure Tools

A range of simple to sophisticated tools is used by compensation professionals to design and manage salary structures. Simple spreadsheets work well for some, while others tend to rely on more sophisticated software products to manage pay structures.

Prevalent Tools Used for Structure Design and Administration

Design Tools

89% of organizations responded that they use **spreadsheet applications** (e.g., Microsoft Excel) to design salary structures (n=758). 22% responded that they use a **point solution tool** (e.g., tool specifically focused on salary structure management) to design their salary structures, 14% use an **enterprise system** (e.g., Oracle, PeopleSoft, SAP), 8% use a **relational database application** (e.g., Microsoft Access), and 6% use an **internally developed system** (e.g., custom designed within the organization). (See Figure 23 in the Appendix.)

Administration Tools

72% of organizations responded that they use a **spreadsheet application** to administer pay within the salary ranges (e.g., manage salary structures) (n=758). 42% responded that they use an **enterprise system**, 17% use a **point solution tool**, 9% use an **internally developed tool**, and 7% use a **relational database application**. 3% responded with "Other," specifically indicating their HRIS or payroll system, and specific point solutions (including Software-as-a-Service). (See Figure 23 in the Appendix.)

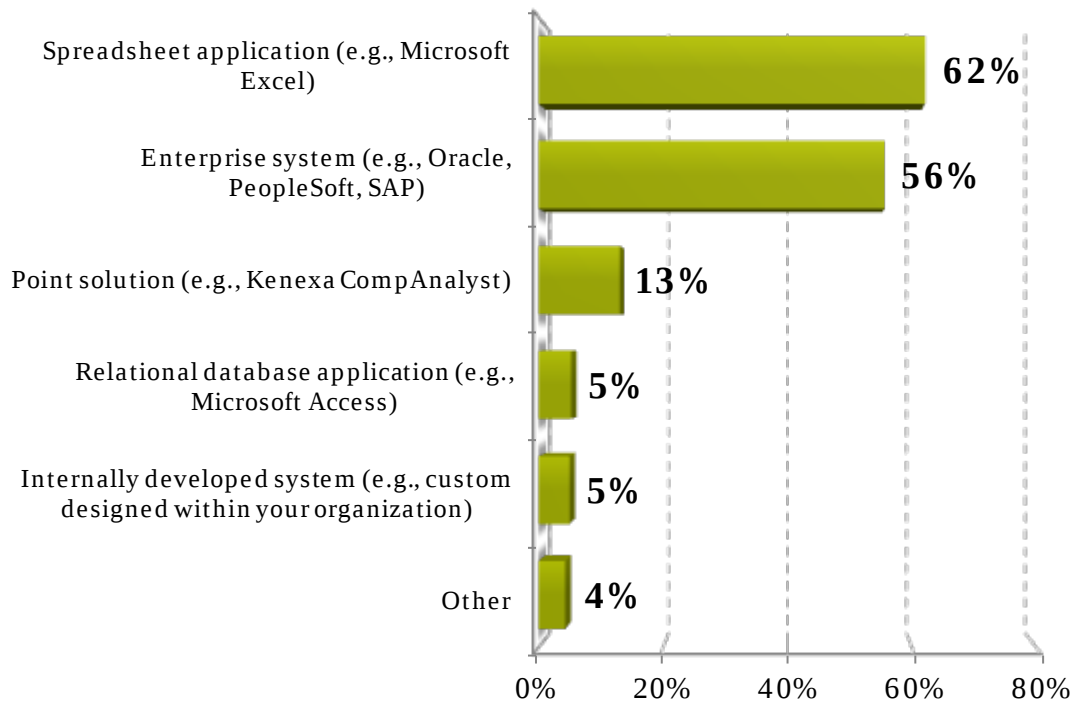
Prevalent Tools Used for Structure Record and Communication

Developing an appropriate system/tool and process to communicate the salary structure to internal customers is a very important aspect of salary structure administration. Most organizations use spreadsheets as their official system of record as well as for communicating ranges throughout the organization. Typical additional forms of communication include e-mail, the enterprise system and the company intranet.

System of Record

62% of organizations responded that they use **spreadsheet application** (e.g., Microsoft Excel) to record salary range data (n=766). **56%** responded that they use an **enterprise system** (e.g., Oracle, PeopleSoft, SAP) to record salary range data, 13% use a **point solution tool**, 5% use a **relational database application**, and 5% use an **internally developed system**. 4% responded with "Other." (See Figure 24.)

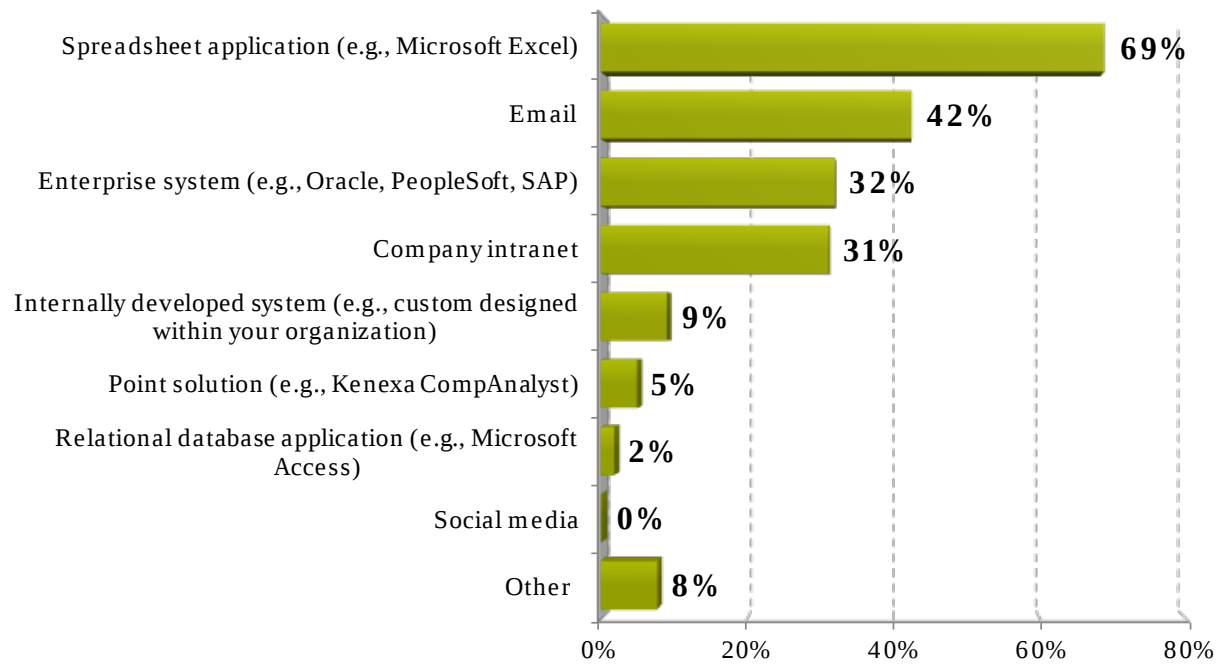
Figure 24: System(s) of Record for Salary Range Data
(Multiple selections were possible.)



Communication of Ranges

69% of organizations responded that they use a **spreadsheet application** (e.g., Microsoft Excel) to communicate salary ranges to internal customers (n=763). 42% responded that they use **email** to communicate, 32% use an **enterprise system**, and 31% use the **company intranet**. Less popular methods of communication of ranges included an **internally developed system** (9%), **point solution tool** (5%), and **relational database application** (2%). 8% responded with “Other.” Common responses in the “Other” category include no communication, verbal/in-person communication, hard-copy communication/letter, and company website. (See Figure 25.)

Figure 25: Type(s) of Systems/Tools used to Communicate Salary Ranges to Internal Customers
(Multiple selections were possible.)



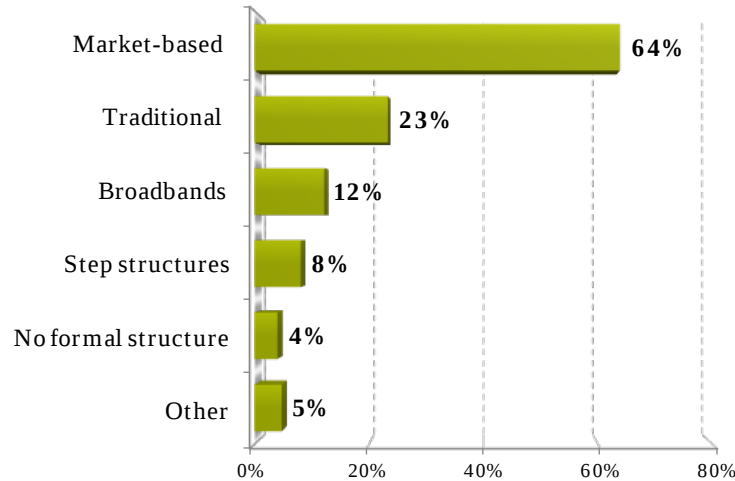
Conclusion

In 2002, Stoskopf wrote, “Organizations today seem to be gravitating toward market-based structures.” This trend is apparent from the 2012 survey results, which found that market-based salary structures are the predominant type of salary structure used by survey participants. While traditional and broadband structures have been more popular in the past, the use of traditional and broadband structures is less common today. In addition, while most organizations keep salary structures, competitive positioning and frequency of update consistent, variation by job function, job level, critical workforce segment, and/or geography is not uncommon. Of note, 37% of organizations use different types of structures by job level and 30% by geographic location. This year’s survey also took the pulse on the use of global structures as well as the trends and tools used by companies for structure design, administration, record and communication. These areas have changed since 2002 and will be interesting to continue to track in the coming years.

Appendix 1: Tables and Figures

Types of Structures

Figure 1: What type of salary structure(s) does your organization use today for its U.S.-based employees? (Check all that apply.) (n=910)



Participants indicating, "No formal structure" were omitted from the remaining analysis.

Table 2: Please respond regarding the following types of salary structure(s):

	Range spread average (Narrowest to Widest)		Midpoint Progression Prevalence							
	Narrowest % (average)	Widest % (average)	Less than 5%	5% to 9%	10% to 14%	15% to 19%	20% to 30%	Greater than 30%	Not defined	Varies
Traditional (typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%) (n=139)	35.6%	46.3%	6%	24%	33%	12%	6%	1%	4%	15%
Market-based (typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%) (n=443)	47.1%	58.1%	1%	6%	39%	20%	7%	1%	5%	21%
Broadbands (typically have range spreads of 80% to 200% with no defined midpoints) (n=66)	85.2%	153.3% ³	0%	0%	5%	8%	18%	12%	36%	21%
	Range spread average (Narrowest to Widest)		Midpoint Progression Prevalence							

³ A value considered excessive was removed from the overall average of both the narrowest and widest calculation.

	to Widest)		Less than 5%	5% to 9%	10% to 14%	15% to 19%	20% to 30%	Greater than 30%	Not defined	Varies
	Narrowest % (average)	Widest % (average)								
Step structures (typically have range spreads of 20% to 40% and midpoint progressions of 5% to 10%) (n=38)	23.9%	43.3%	13%	17%	12%	7%	2%	2%	12%	37%
Other (n=39)	49.5%	46.0%	8%	10%	8%	6%	8%	0%	27%	33%

Figure 3: Does the type of structure used vary by job function/family (e.g., Accounting, Administration, Finance, HR, IT, Legal, Logistics, Marketing, Operations)? (n=791)

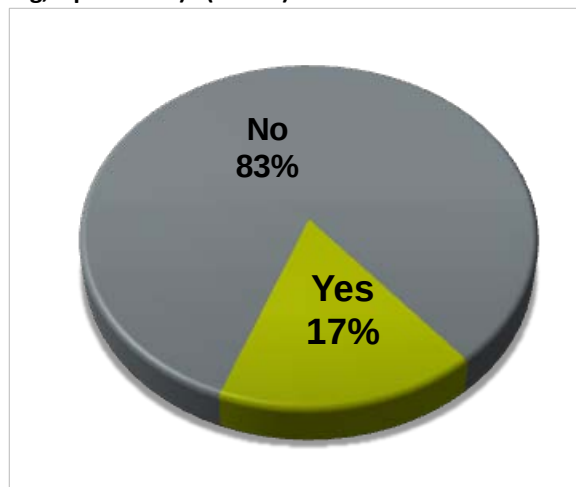


Table 3a: Please indicate the type of structure used for applicable job functions/families below:
Only participants indicating, "Yes" in Figure 3 received this question.

	Salary Structure Type				
	Traditional	Market-based	Broadbands	Step Structures	Other
Accounting (n=112)	21%	62%	9%	1%	8%
Administration (n=113)	21%	61%	8%	3%	7%
Finance (n=107)	19%	64%	7%	1%	8%
HR (n=110)	20%	64%	7%	1%	8%
IT (n=110)	16%	65%	10%	1%	7%
Legal (n=101)	19%	65%	7%	1%	8%

	Salary Structure Type				
	Traditional	Market-based	Broadbands	Step Structures	Other
Logistics/Supply Chain (n=92)	24%	61%	4%	3%	8%
Marketing (n=101)	18%	64%	8%	2%	8%
Operations (e.g., Project Management, Manufacturing, Procurement) (n=101)	19%	59%	8%	5%	9%
Research (n=79)	19%	61%	9%	3%	9%
Sales (n=75)	16%	57%	12%	4%	11%
Other (n=68)	13%	41%	10%	22%	13%

Figure 4: Does the type of structure used vary by job level (i.e., hourly/production, other nonexempt, exempt/professional, etc.)? (n=783)

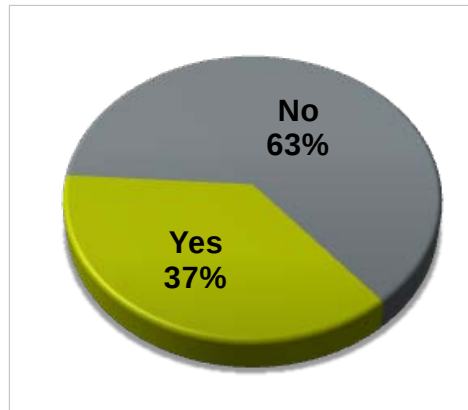


Table 4a: Please indicate the type of structure used for applicable job levels below:
Only participants indicating, "Yes" in Figure 2b1 received this question.

	Salary Structure Type				
	Traditional	Market-based	Broadbands	Step Structures	Other
Hourly/Production (n=185)	24%	44%	4%	22%	5%
Other Nonexempt (n=241)	24%	57%	7%	6%	6%
Exempt/Professional (n=271)	17%	64%	11%	1%	7%
Supervisory/Managerial (n=259)	16%	66%	10%	1%	7%
Executive (n=201)	14%	64%	15%	0%	5%
Other: (n=58)	24%	48%	10%	10%	7%

Figure 5: Does the type of structure used vary by critical workforce segment (e.g., Accounting/Finance Professionals, Engineers, Health-Care/Clinical Professionals)? (n=767)

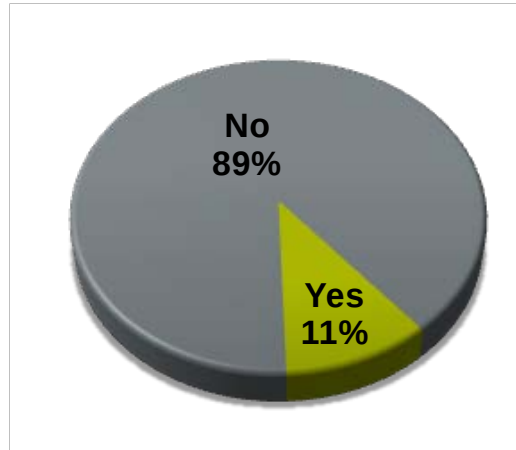


Table 5a: Please indicate the type of structure used for applicable critical workforce segments below:
Only participants indicating, "Yes" in Figure 5 received this question.

	Salary Structure Type				
	Traditional	Market-based	Broadbands	Step structures	Other
Accounting/Finance Professionals (n=54)	17%	59%	9%	4%	11%
Engineers (n=46)	17%	57%	13%	2%	11%
Health-Care/Clinical Professionals (n=39)	18%	51%	3%	15%	13%
Industrial/Skilled Professionals (e.g., electrician, carpenters, logistics) (n=36)	22%	50%	6%	8%	14%
IT Professionals (n=48)	10%	63%	13%	4%	10%
Sales Professionals (n=31)	13%	52%	16%	3%	16%

Figure 7: Does the type of structure vary based on geographic location? (n=774)

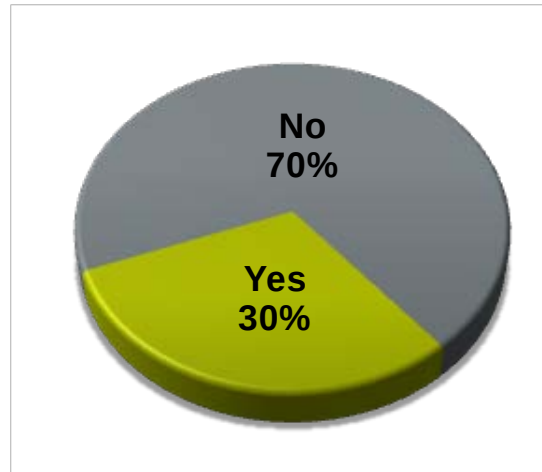


Figure 7a: Are structures applied to geography based on (check all that apply): (n=234)

Only participants indicating, "Yes" in Figure 7 received this question.

(Multiple selections were possible.)

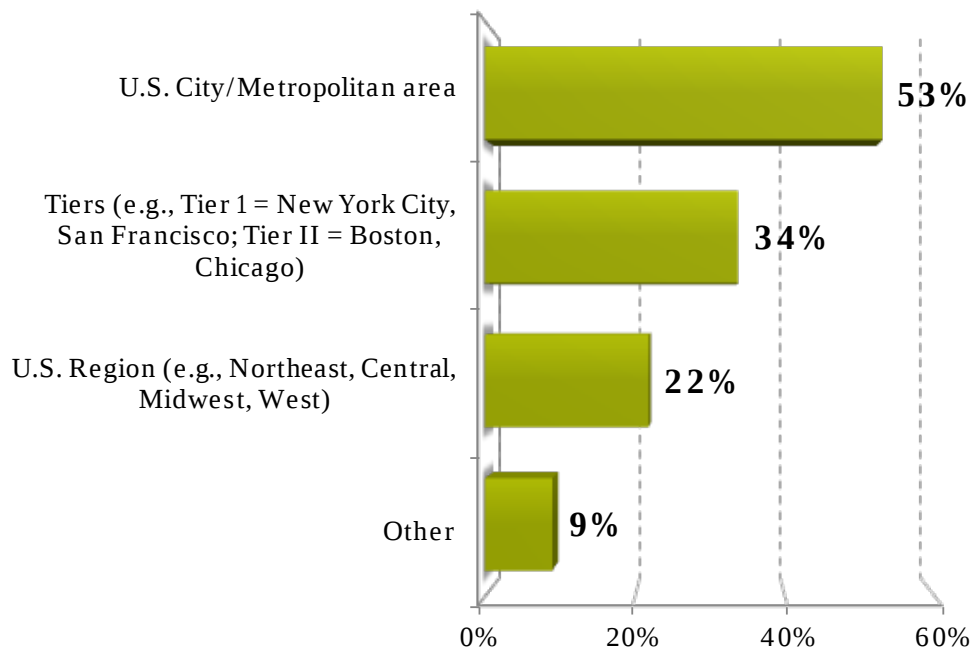


Figure 9: If your organization has employees outside of the United States, do you use one or more global structure(s)? (n=371)

Not applicable responses (n=405) were removed from this analysis.

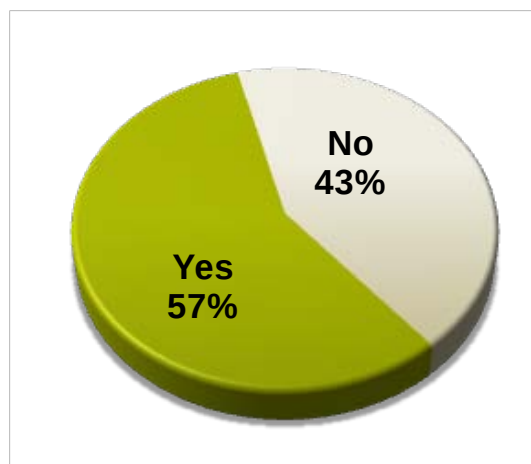


Figure 9a: Does your global structure(s) use: (n=189)

Only participants indicating, "Yes" in Figure 9 received this question. 9% of respondents replied "Other" in this question and are not included in this summary.

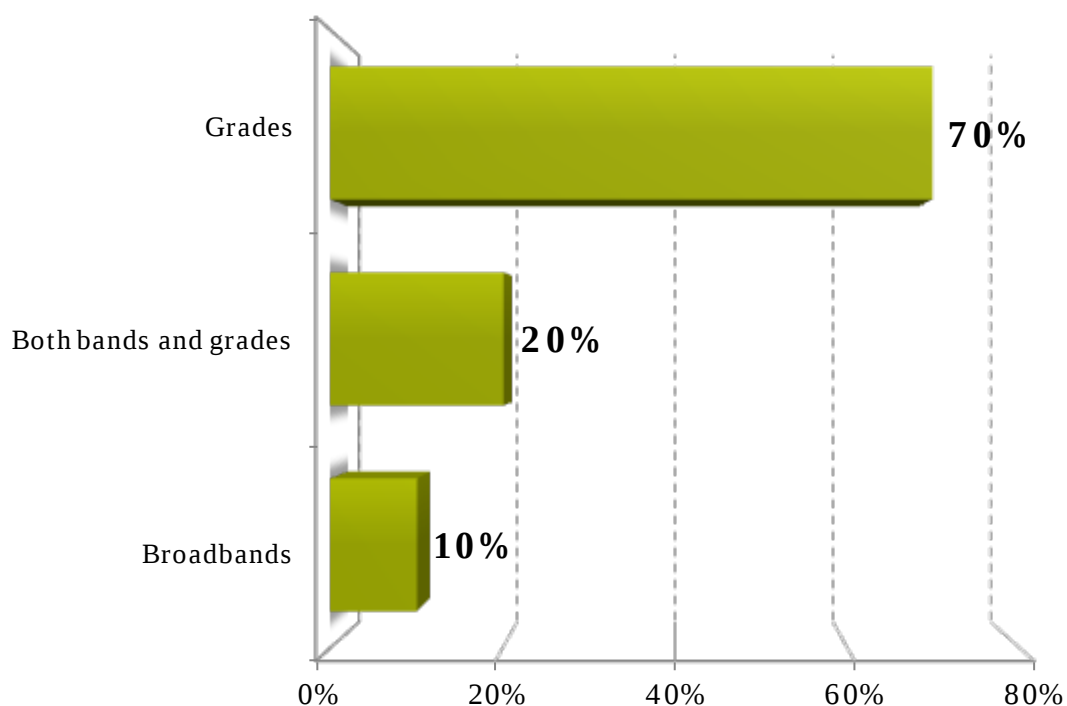


Table 10a: Does your global structure(s) vary by (check all that apply): (n=200)

Only participants indicating, "Yes" in Figure 9 received this question.

	Percentage
Job function/family (e.g., accounting, administration, finance, HR, IT, legal, logistics, marketing, operations)	21%
Job level (e.g., hourly/production, other nonexempt, exempt/professional)	38%
Critical workforce segment (e.g., accountants/finance professions, engineers, health-care/clinical professions)	5%
Major geographic region (e.g., country, EMEA, APAC)	58%
The global structure(s) does not vary; it applies to all jobs in all locations	17%
Other	10%

Competitive Positioning

Figure 11: Generally, salary structures are tied to the competitive market. For your organization, is the competitive percentile based on: (n=773)

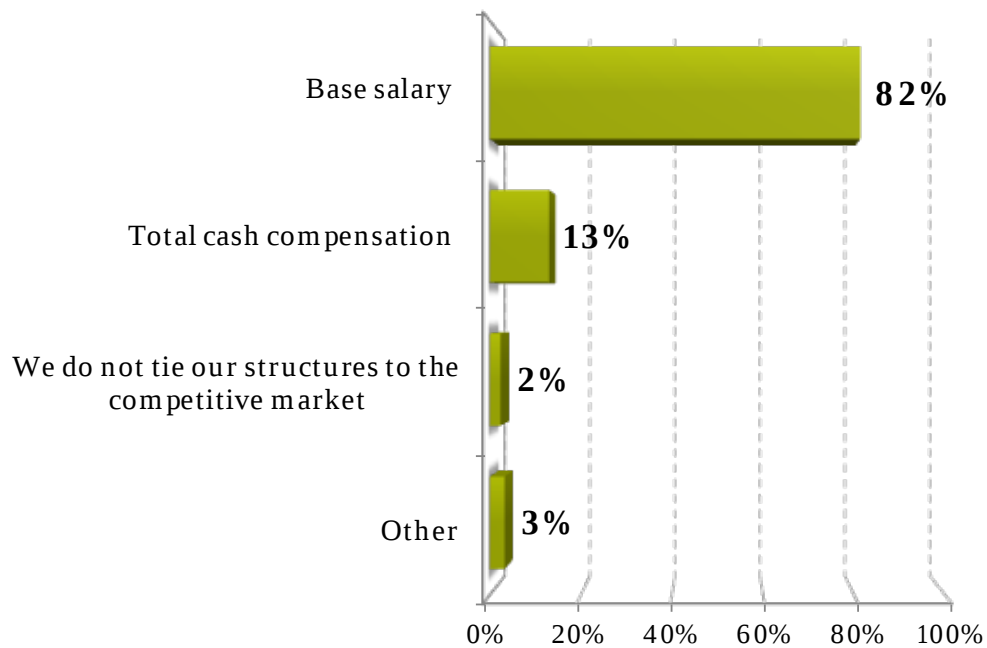


Figure 12: Are midpoints tied consistently to a single competitive percentile of the market? (n=775)

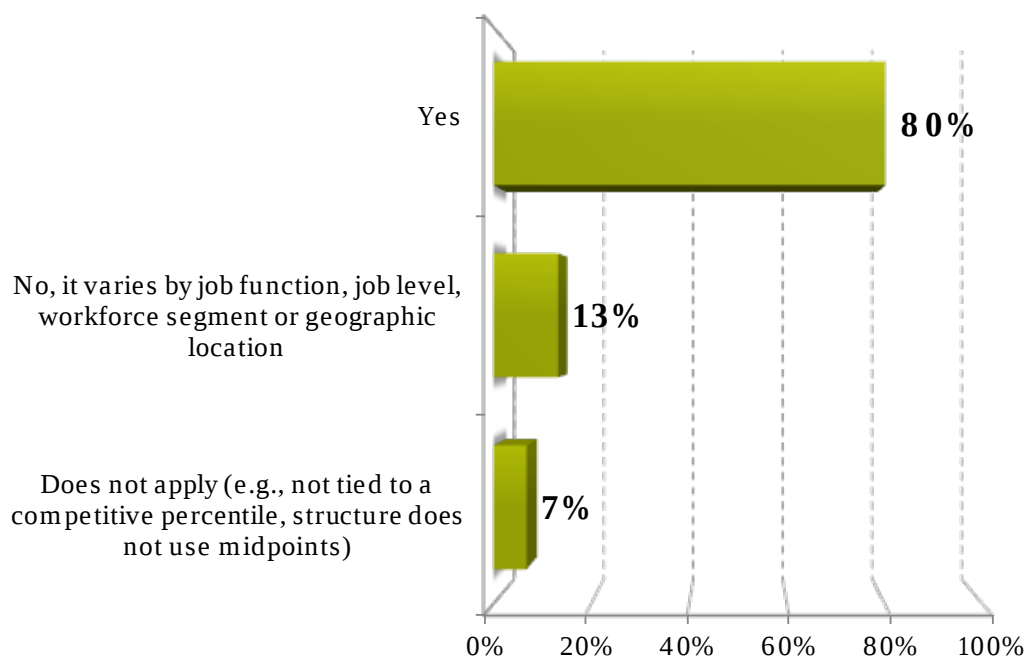


Figure 13: What competitive percentile are midpoints tied to: (n=619)

Only participants indicating, "Yes" in Figure 12 received this question.

Percentile					
25th	40 th	50th	60th	75th	Other
0%	0%	90%	5%	1%	3%

Questions receiving 30 responses or fewer are shown with counts as a replacement for of percentages.

Figure 14: Does the targeted competitive percentile vary based on job function/family (e.g., Accounting, Administration, Finance, HR, IT, Legal, Logistics, Marketing, Operations)? (n=101)

Only participants indicating, "No" in Figure 12 received this question.

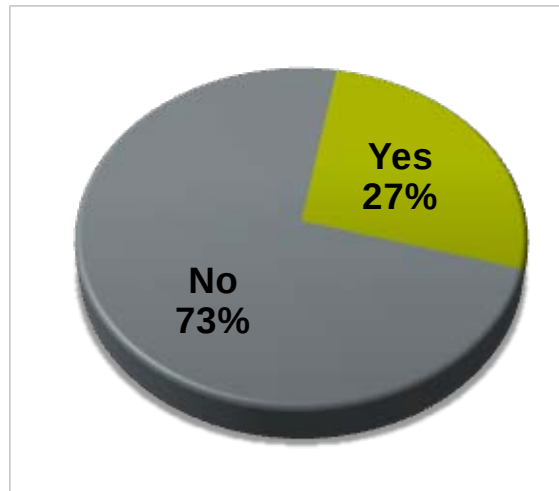


Figure 15: Does the targeted competitive percentile vary based on job level (e.g., hourly/production, other nonexempt, exempt/professional, supervisory/managerial, executive)? (n=102)

Only participants indicating, "No" in Figure 12 received this question.



Figure 16: Does the targeted competitive percentile vary based on critical workforce segment (e.g., Accounting/Finance Professionals, Engineers, Health-Care/Clinical Professionals)? (n=102)
Only participants indicating, "No" in Figure 12 received this question.

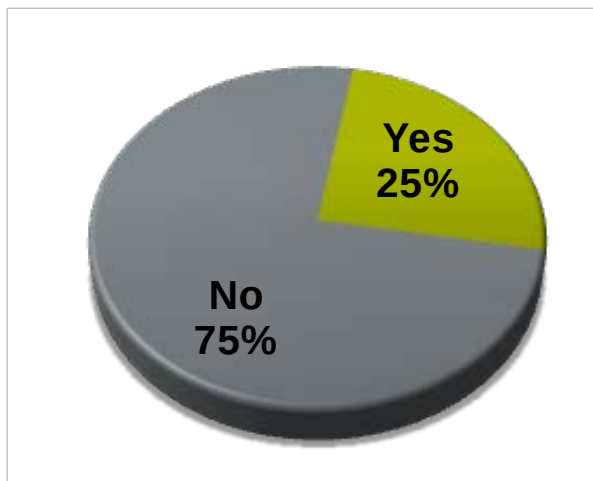
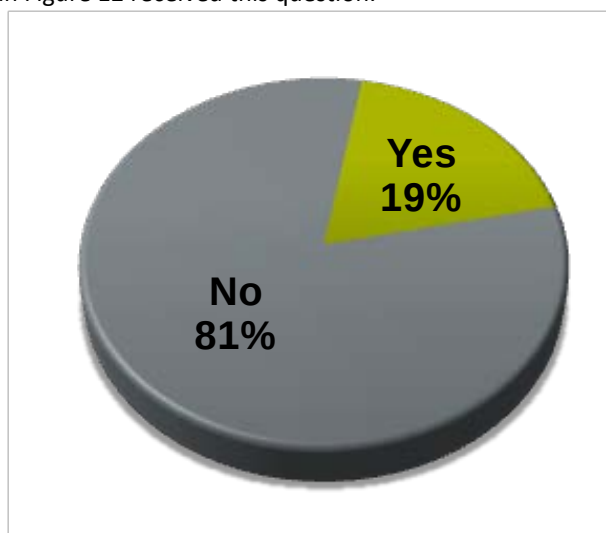


Figure 17: Does the targeted competitive percentile vary based on geographic location? (n=101)
Only participants indicating, "No" in Figure 12 received this question.



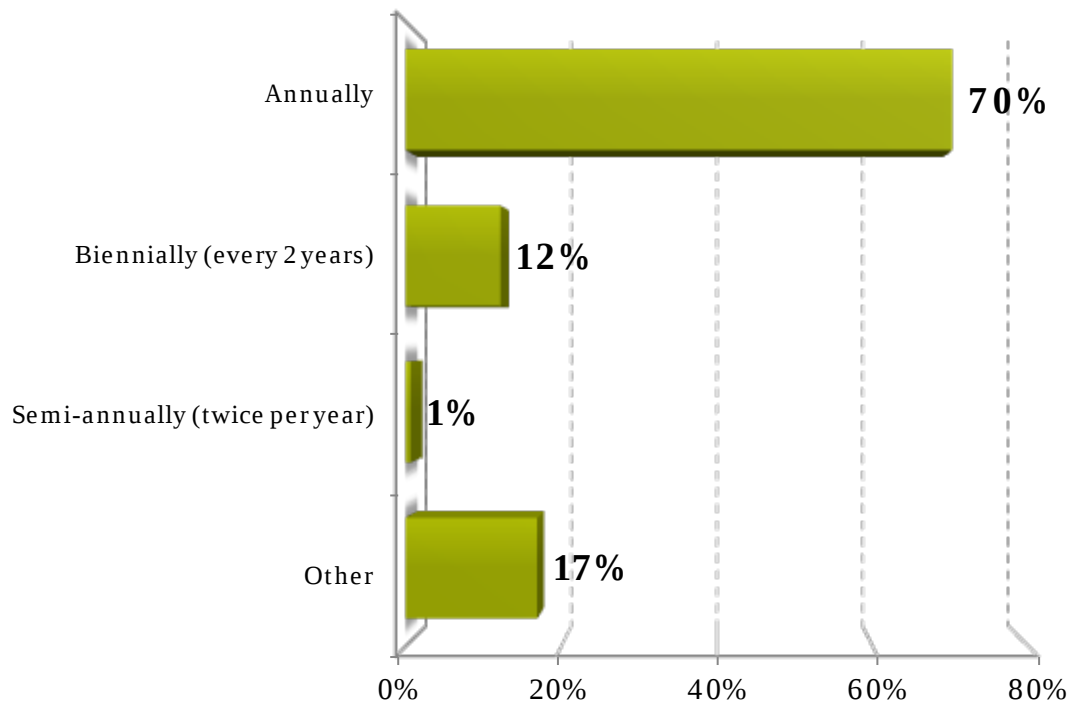
Frequency of Adjustment

Table 18: Are salary ranges adjusted at a consistent frequency across your organization? (n=773)

	Percentage
Yes	80%
No, it varies by job function, job level or geographic location	20%

Figure 18a: How often are salary ranges adjusted? (n=615)

Only participants indicating, "Yes" in Figure 18 received this question.



Questions receiving 30 responses or fewer are shown with counts as a replacement for of percentages.

Figure 19: Does the frequency of the adjustment vary by job function/family (e.g., Accounting, Administration, Finance, HR, IT, Legal, Logistics, Marketing, Operations)? (n=150)

Only participants indicating, "No" in Figure 18 received this question.

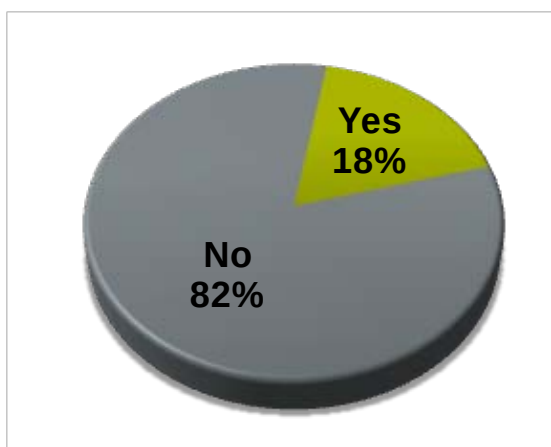


Figure 20: Does the frequency of the adjustment vary by job level (e.g., hourly/production, other nonexempt, exempt/professional, supervisory/managerial, executive)? (n=151)

Only participants indicating, "No" in Figure 18 received this question.

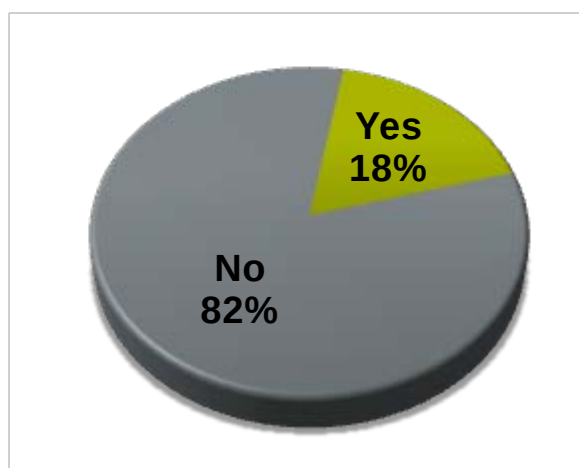


Figure 21: Does the frequency of the adjustment vary by critical workforce segment (e.g., Accounting/Finance Professionals, Engineers, Health-Care/Clinical Professionals)? (n=150)

Only participants indicating, "No" in Figure 18 received this question.

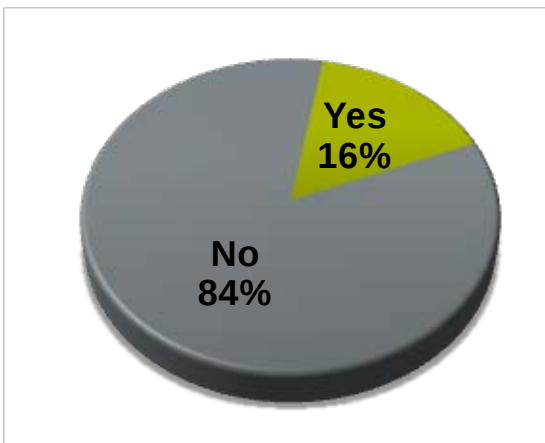
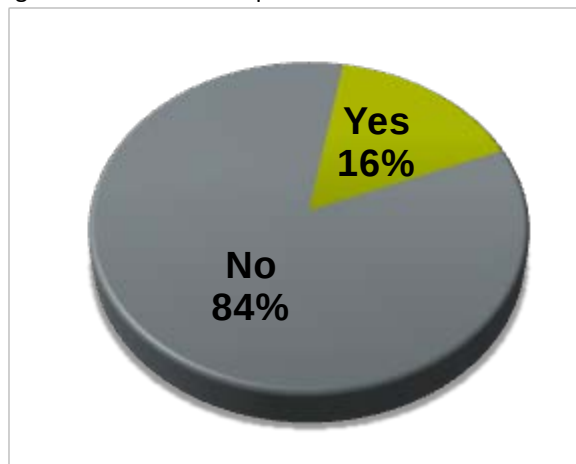


Figure 22: Does the frequency of the adjustment vary by geographic location? (n=150)

Only participants indicating, "No" in Figure 18 received this question.



Tools

Table 23: Which of the following tools do you use to: (Check all that apply.)
(Multiple selections were possible.)

	Spreadsheet application (e.g., Microsoft Excel)	Point Solution (e.g., tool specifically focused on salary structure management)	Enterprise system (e.g., Oracle, PeopleSoft, SAP)	Relational database application (e.g., Microsoft Access)	Internally developed system (e.g., custom designed within your organization)	Other
Design your salary structures (e.g., model new ranges, develop structures) (n=758)	89%	22%	14%	8%	6%	3%
Administer pay within the salary ranges (e.g., manage salary structures) (n=758)	72%	17%	42%	7%	9%	3%

Figure 24: What is the system of record for your salary range data? (Check all that apply.) (n=766)

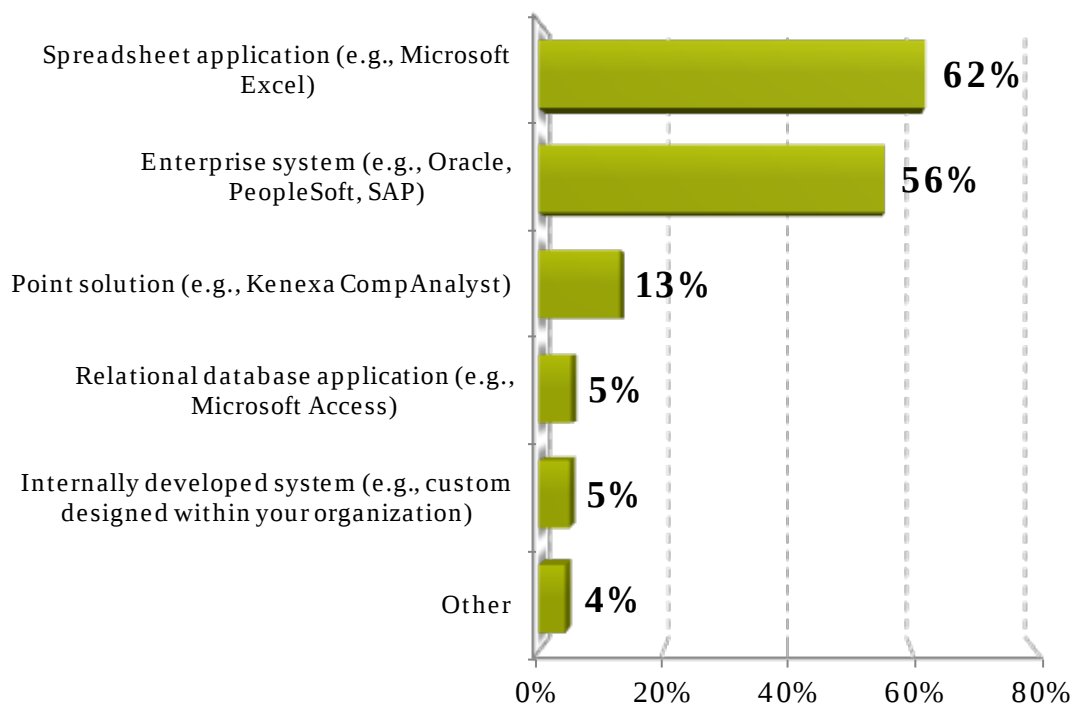
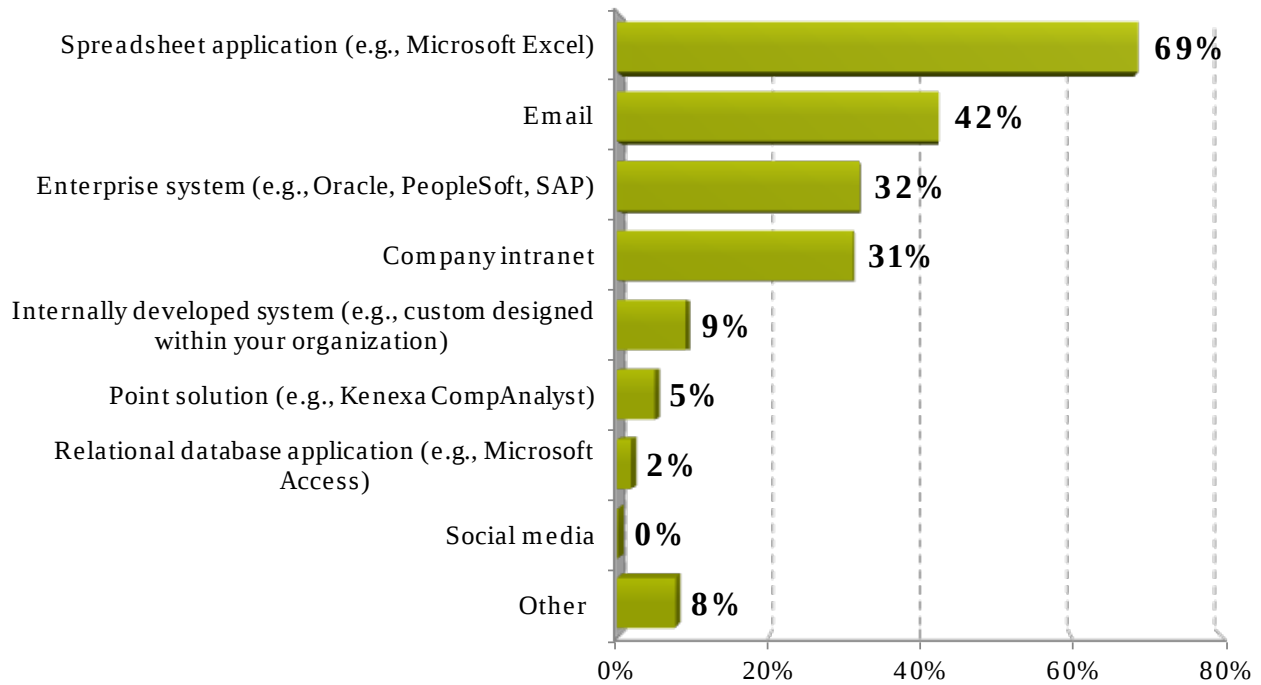


Figure 25: What type of systems/tools do you currently use to communicate salary ranges to internal customers (e.g., managers, recruiters, HR business partners)? (Check all that apply.) (n=763)



Demographics

Figure 26: Type of Organization (n=768)

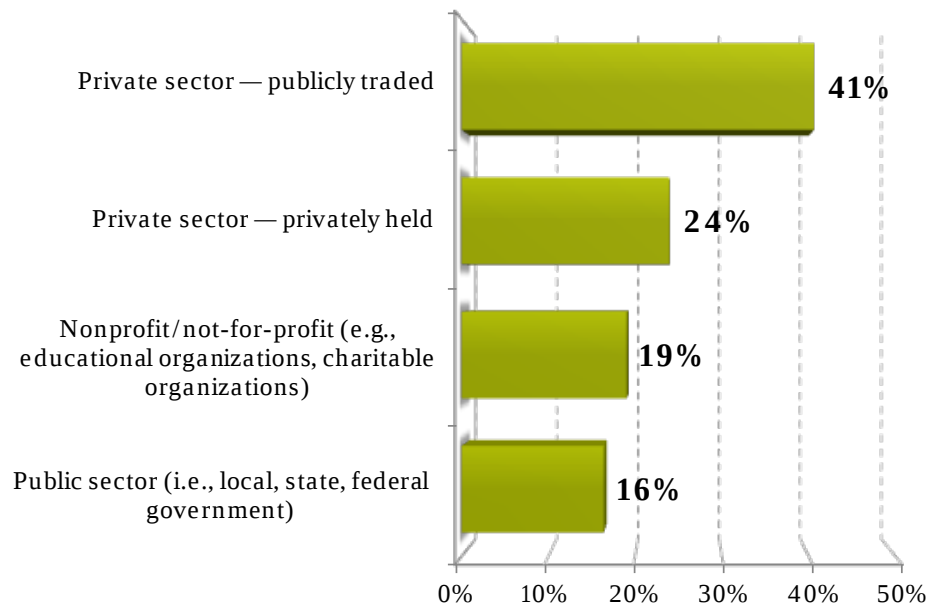


Figure 27: Please choose the total number of full-time employees (FTEs) your organization employs worldwide: (n=768)

	Percentage
Less than 100 employees	1%
100 to 499	3%
500 to 999	7%
1,000 to 2,499	15%
2,500 to 4,999	21%
5,000 to 9,999	19%
10,000 to 19,999	14%
20,000 to 39,999	8%
40,000 to 99,999	7%
100,000 or more	6%

Figure 28: What is the approximate annual voluntary turnover for all employees? (n=729)

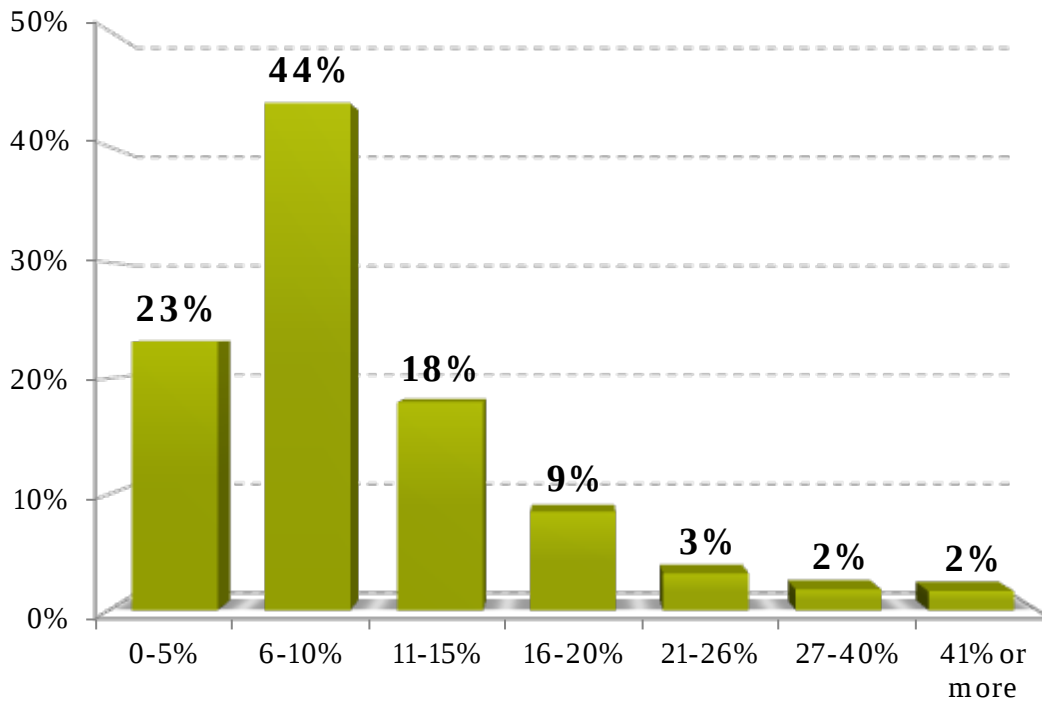


Figure 29: What is your industry? (n=766)

	Percentage
Finance and Insurance	13%
All Other Manufacturing	13%
Health Care and Social Assistance	12%
Consulting, Professional, Scientific and Technical Services	7%
Utilities, Oil and Gas	7%
Retail Trade	5%
Information (e.g., Publishing, IT Technologies)	4%
Computer and Electronic Manufacturing	4%
Educational Services	4%
Pharmaceuticals	3%
Public Administration	3%
Transportation	2%
Other Services (except Public Administration)	1%
Wholesale Trade	1%
Mining	1%
Construction	1%
Arts, Entertainment and Recreation	1%
Accommodations and Food Services	1%
Agriculture, Forestry, Fishing and Hunting	1%
Warehousing and Storage	1%
Real Estate and Rental and Leasing	1%
Other	18%

Table 4: Average Range Spread by Industry by Structure Type

Industry for Traditional Structures	Narrowest % (average)	Widest % (average)
Finance & Insurance	39.1	61.8
All Other Manufacturing	36.3	47.6
Healthcare & Social Assistance	33.7	49.3
Consulting, Professional, Scientific & Technical Services	43.0	50.0
Utilities, Oil & Gas	37.2	45.5

Industry for Market-based Structures	Narrowest % (average)	Widest % (average)
Finance & Insurance	50.5	71.7
All Other Manufacturing	47.8	66.7
Healthcare & Social Assistance	53.4	72.5
Consulting, Professional, Scientific & Technical Services	48.7	69.8
Utilities, Oil & Gas	45.2	63.7

Industry for Broadbands	Narrowest % (average)	Widest % (average)
Finance & Insurance	94.6	192.3
All Other Manufacturing	96.1	134.1
Healthcare & Social Assistance	76.8	191.8
Consulting, Professional, Scientific & Technical Services	77.0	138.0
Utilities, Oil & Gas	95.0	128.3

Industry for Step Structures	Narrowest % (average)	Widest % (average)
Finance & Insurance	23.0	50.0
All Other Manufacturing	28.5	36.7
Healthcare & Social Assistance	22.0	22.0
Consulting, Professional, Scientific & Technical Services	23.0	37.0
Utilities, Oil & Gas	10.0	30.0

Table 5: Average range spread by company size

Traditional		
Size	Narrowest % (average)	Widest % (average)
101 to 999	38.7	48.5
1000 to 4,999	34.7	55.3
5000 to 19,999	37.6	49.8
Above 20,000	30.5	43.8

Market-based		
Size	Narrowest % (average)	Widest % (average)
Less than 100	33.3	48.3
101 to 999	42.8	62.7
1000 to 4,999	46.2	65.1
5000 to 19,999	49.1	66.3
Above 20,000	50.0	71.7

Broadbands		
Size	Narrowest % (average)	Widest % (average)
101 to 999	81.8	121.0
1000 to 4,999	81.6	153.9
5000 to 19,999	85.0	167.1
Above 20,000	98.5	154.5

Step Structures		
Size	Narrowest % (average)	Widest % (average)
101 to 999	30.5	49.25
1000 to 4,999	30.6	44.9
5000 to 19,999	22.1	48.9
Above 20,000	16.8	28.9

Appendix 2: Type of Salary Structure Definitions

- **Traditional:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10%
- **Market-based:** Typically has range spreads of 30% to 80% and midpoint progressions of 10% to 15%
- **Broadbands:** Typically have range spreads of 80% to 200% with no defined midpoints)
- **Step structure:** Typically has range spreads of 20% to 40% and midpoint progressions of 5% to 10% with defined points (steps) within the ranges.