

Grade and Pay Structure



Learning Outcome

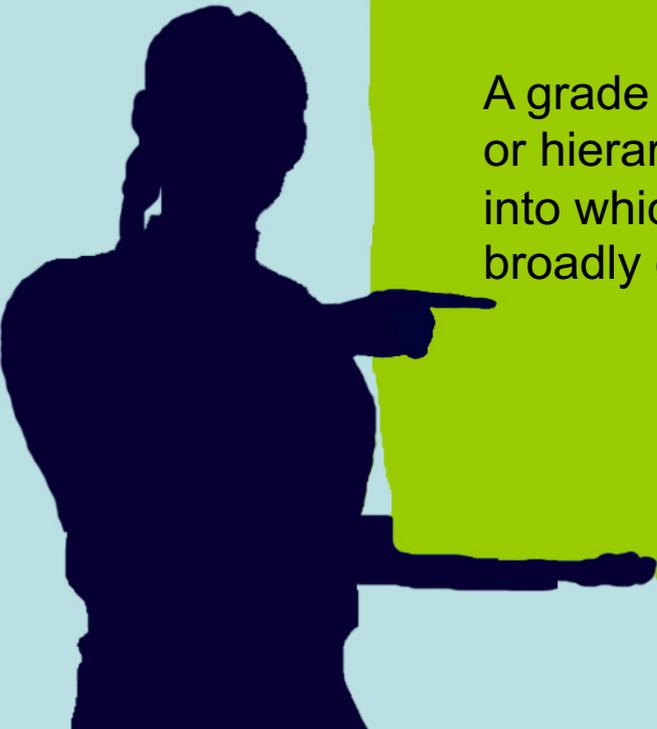
In this topic, you will cover:

- Examine the definitions of Grade and Pay Structure.
- Analyse the guiding principles for grade and pay structures.
- Analyse the types of grade pay structures
- Examine the gender pay and Team Pay Gaps.
- Examine factors affecting the levels of Pay.

Grade and pay structures



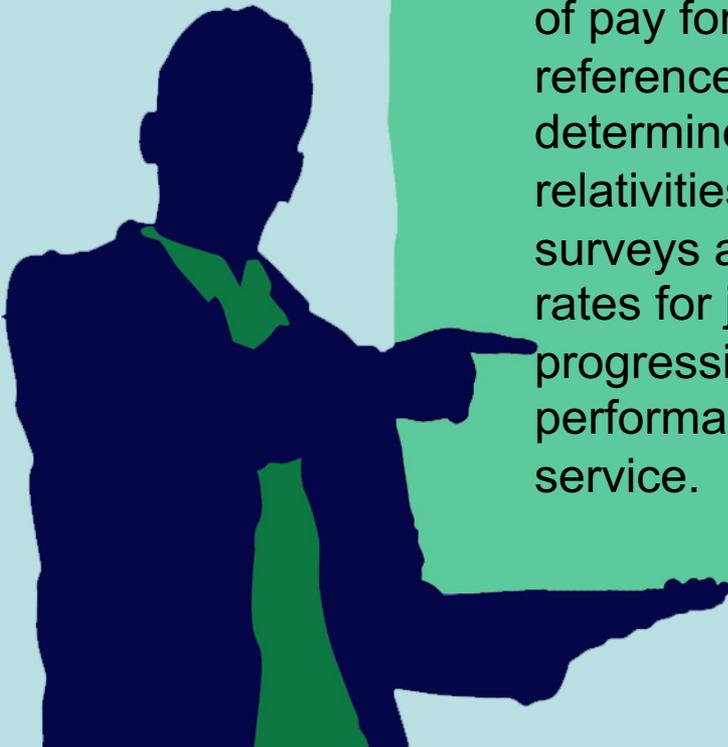
GRADE STRUCTURES

A silhouette of a person with their hair in a ponytail, pointing their right index finger towards the text on a yellow sticky note. The person is positioned on the left side of the frame, and the sticky note is a large, irregular yellow rectangle in the center.

A grade structure consists of a sequence or hierarchy of grades, bands or levels into which groups of jobs which are broadly comparable in size are placed.

PAY STRUCTURES

A pay structure defines the different levels of pay for jobs or groups of jobs by reference to their relative internal value as determined by job evaluation, to external relativities as established by market rate surveys and, sometimes, to negotiated rates for jobs. It provides scope for pay progression in accordance with performance, competence, contribution or service.



The Aim of the Pay Structure

- Align the reward strategy with the employer's mission, vision, purpose and culture, and business strategy by encouraging required behaviours and performance.
- Brings order and clarity in managing pay rises and career development.
- Helps ensure fairness and lawfulness, for example by avoiding pay discrimination.
(CIPD – 2019)

Guiding Principles for Grade and Pay Structure



GUIDING PRINCIPLES: GRADE AND PAY STRUCTURES

Grade and pay structures should:

- be appropriate to the culture, characteristics and needs of the organization and its employees;
- facilitate the management of relativities and the achievement of equity, fairness, consistency and transparency in managing gradings and pay;
- provide scope as required for rewarding performance, contribution and increases in skill and competence;
- clarify reward, lateral development and career opportunities;
- be constructed logically and clearly so that the basis upon which they operate can readily be communicated to employees;
- enable the organization to exercise control over the implementation of pay policies and budgets.



Types of Pay Structure

Pay structures have two key characteristics:

- the number of grades within the structure
- the span of each band.



What are the Types of grade and pay structures?

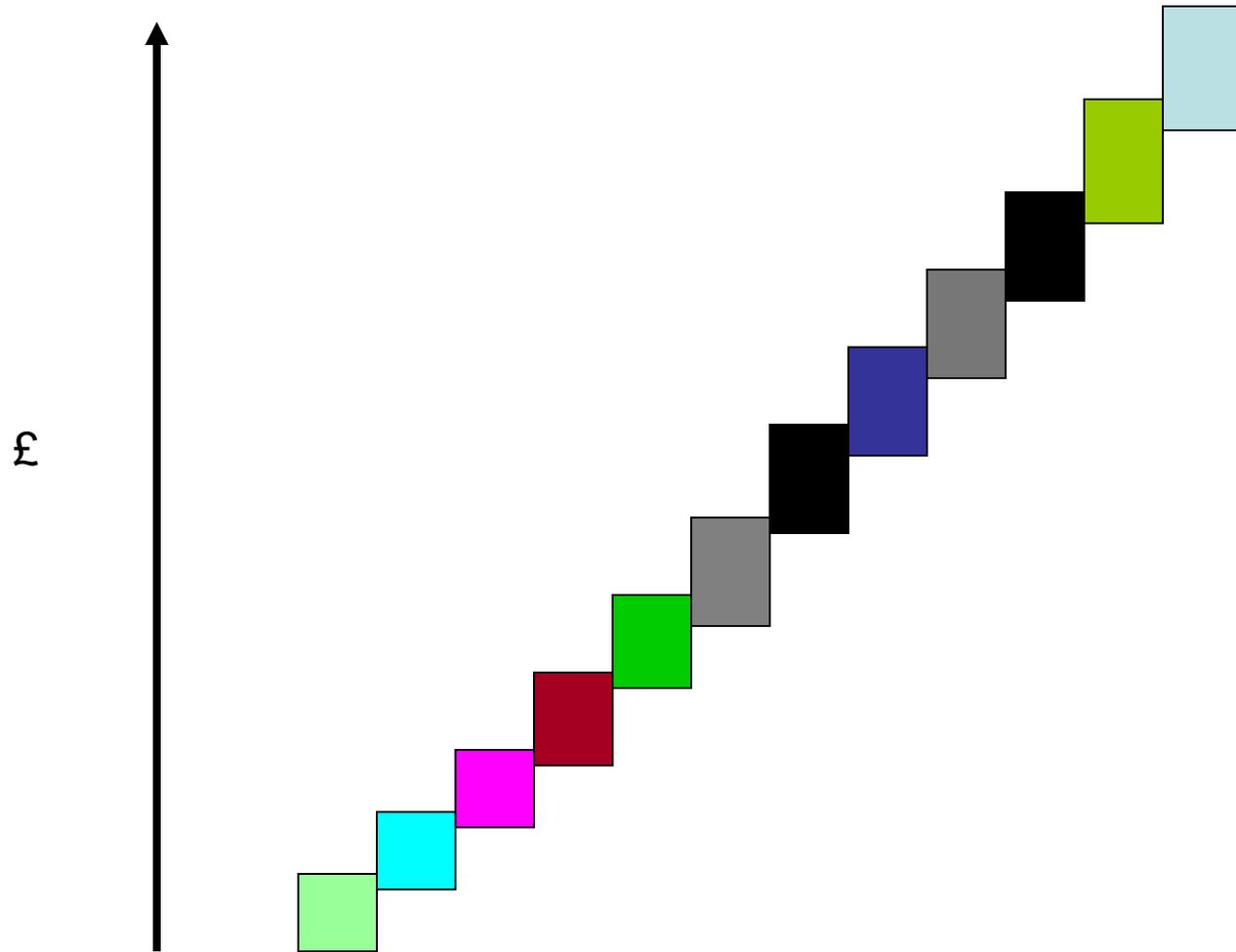


Types of Grade and Pay Structure

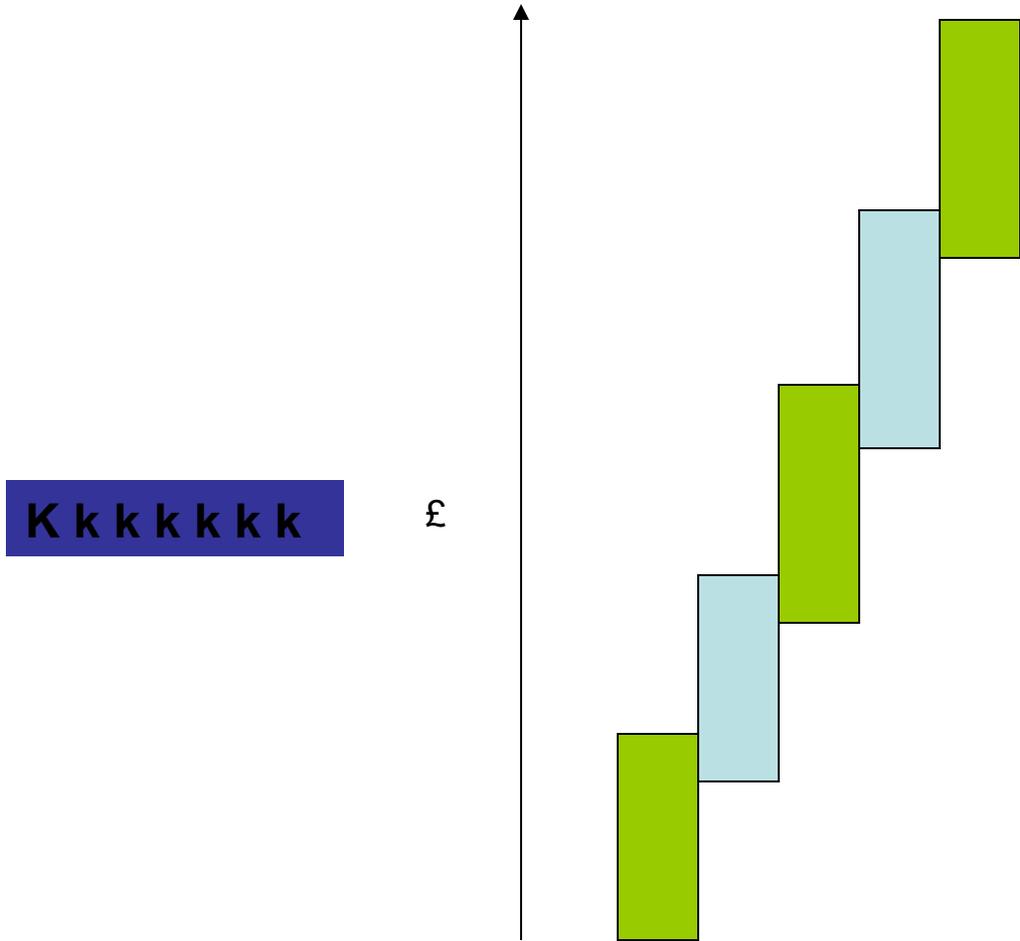
Type	Features	Advantages	Disadvantages	When appropriate
Narrow-graded	<ul style="list-style-type: none"> A sequence of job grades - 10 or more Narrow pay ranges eg 20%-40% Progression usually linked to performance 	<ul style="list-style-type: none"> Clearly indicate pay relativities Facilitate control Easy to understand 	<ul style="list-style-type: none"> Create hierarchical rigidity Prone to grade drift Inappropriate in a delayered organisation 	<ul style="list-style-type: none"> In a large bureaucratic organisation with well defined hierarchies When close and rigid control is required When some but not too much scope for pay progression related to performance or contribution is wanted
Broad-graded	<ul style="list-style-type: none"> A sequence of between 6 and 9 grades Fairly broad pay ranges eg 40%-50% Progression linked to contribution and may be controlled by thresholds or zones 	<ul style="list-style-type: none"> As for narrow graded structures but in addition: the broader grades can be defined more clearly better control can be exercised over grade drift 	<ul style="list-style-type: none"> Too much scope for pay progression Control mechanisms can be provided but they can be difficult to manage May be costly 	<ul style="list-style-type: none"> Desirable to define and differentiate grades more accurately as an aid to better precision when grading jobs; Grade drift problems exist' More scope wanted to reward contribution
Broad-banded	<ul style="list-style-type: none"> A series of, often, 5 or 6 'broad' bands Wide pay bands - typically between 50% and 80% Progression linked to contribution and competence 	<ul style="list-style-type: none"> More flexible Reward lateral development and growth in competence Fit new style organisations 	<ul style="list-style-type: none"> Create unrealistic expectations of scope for pay rises Seem to restrict scope for promotion Difficult to understand Equal pay problems 	<ul style="list-style-type: none"> In de-layered, process-based, flexible organisations Where more flexibility in pay determination is wanted Where the focus is on continuous improvement and lateral development
Job family	<ul style="list-style-type: none"> Separate grade and pay structures for job families containing similar jobs Progression linked to competence and/or contribution 	<ul style="list-style-type: none"> Can appear to be divisive May inhibit lateral career development May be difficult to maintain internal equity between job families 	<ul style="list-style-type: none"> Facilitate pay differentiation between market groups. Define career paths against clear criteria 	<ul style="list-style-type: none"> When there are distinct market groups which need to be rewarded differentially Where there are distinct groups of jobs in families
Pay spine	<ul style="list-style-type: none"> A series of incremental pay points covering all jobs Grades may be superimposed Progression linked to service 	<ul style="list-style-type: none"> Easy to manage Pay progression not based on managerial judgment 	<ul style="list-style-type: none"> No scope for differentiating rewards according to performance May be costly as staff drift up the spine 	<ul style="list-style-type: none"> In a public sector or voluntary organisation where this is the traditional approach and it therefore fits the culture Where it is believed to be impossible to measure differential levels of performance fairly and consistently

Summary analysis of different grade and pay structures, Armstrong 2018

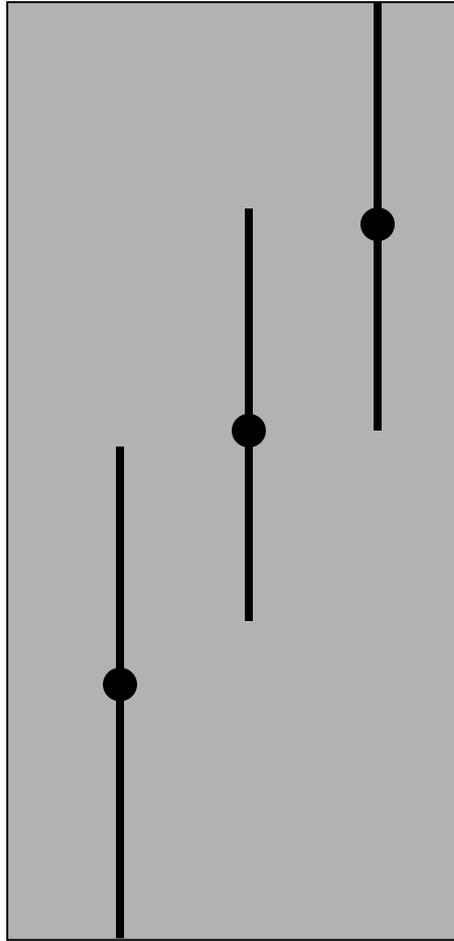
MODEL OF A NARROW GRADED STRUCTURE



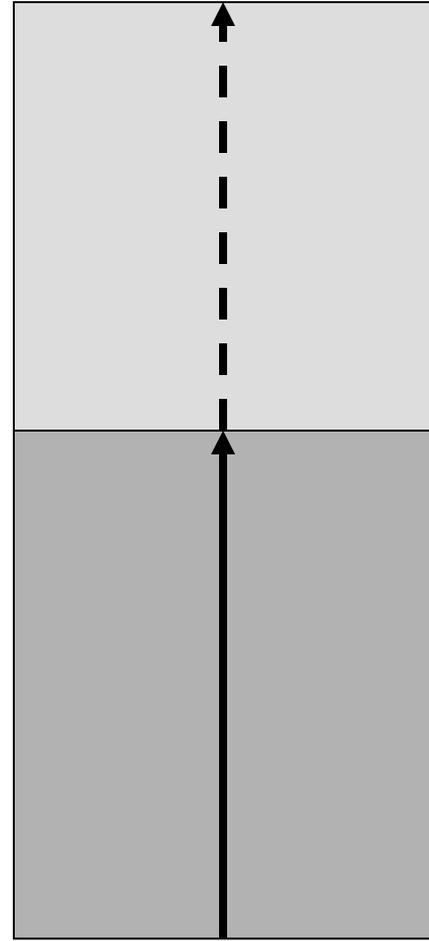
MODEL OF A BROAD GRADED STRUCTURE



Broad band



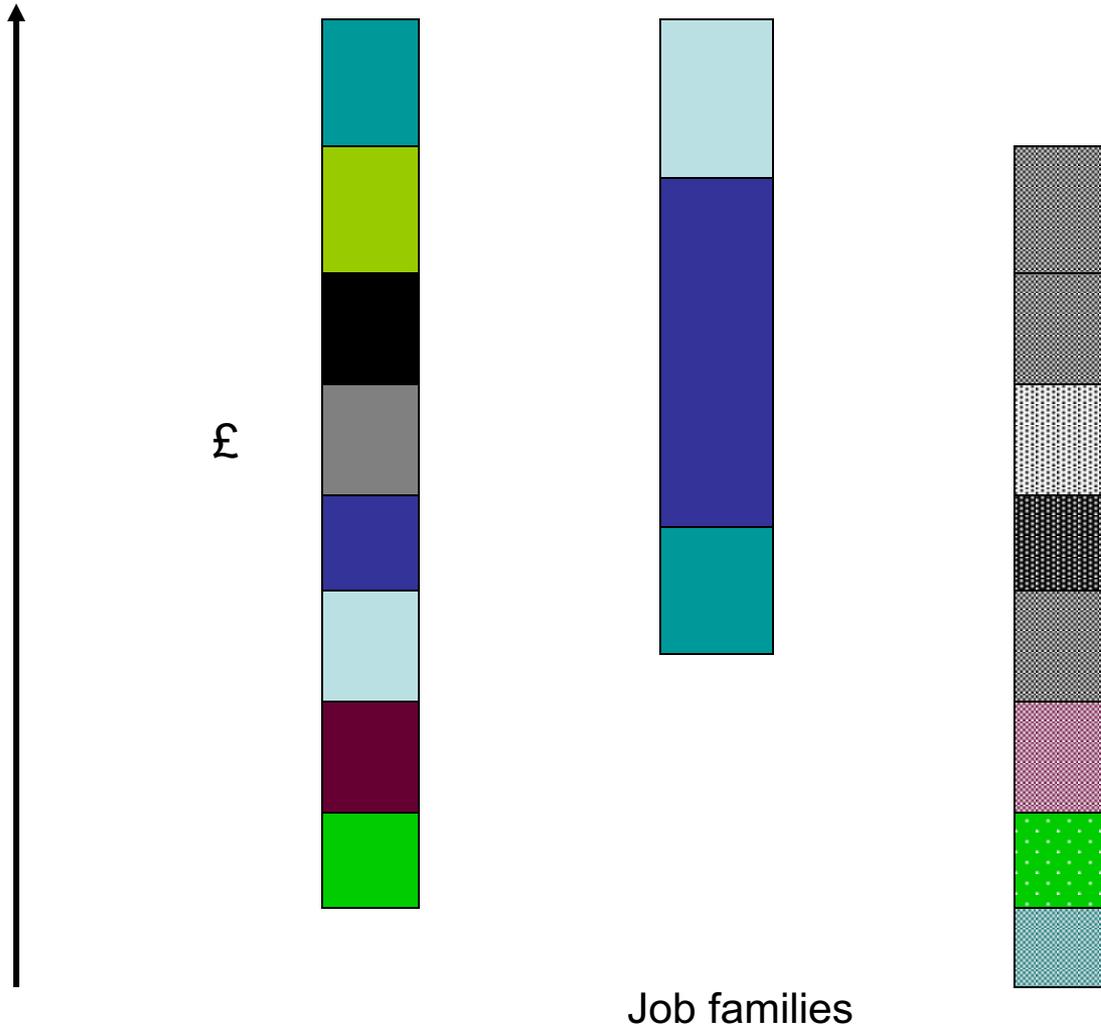
Broad grade



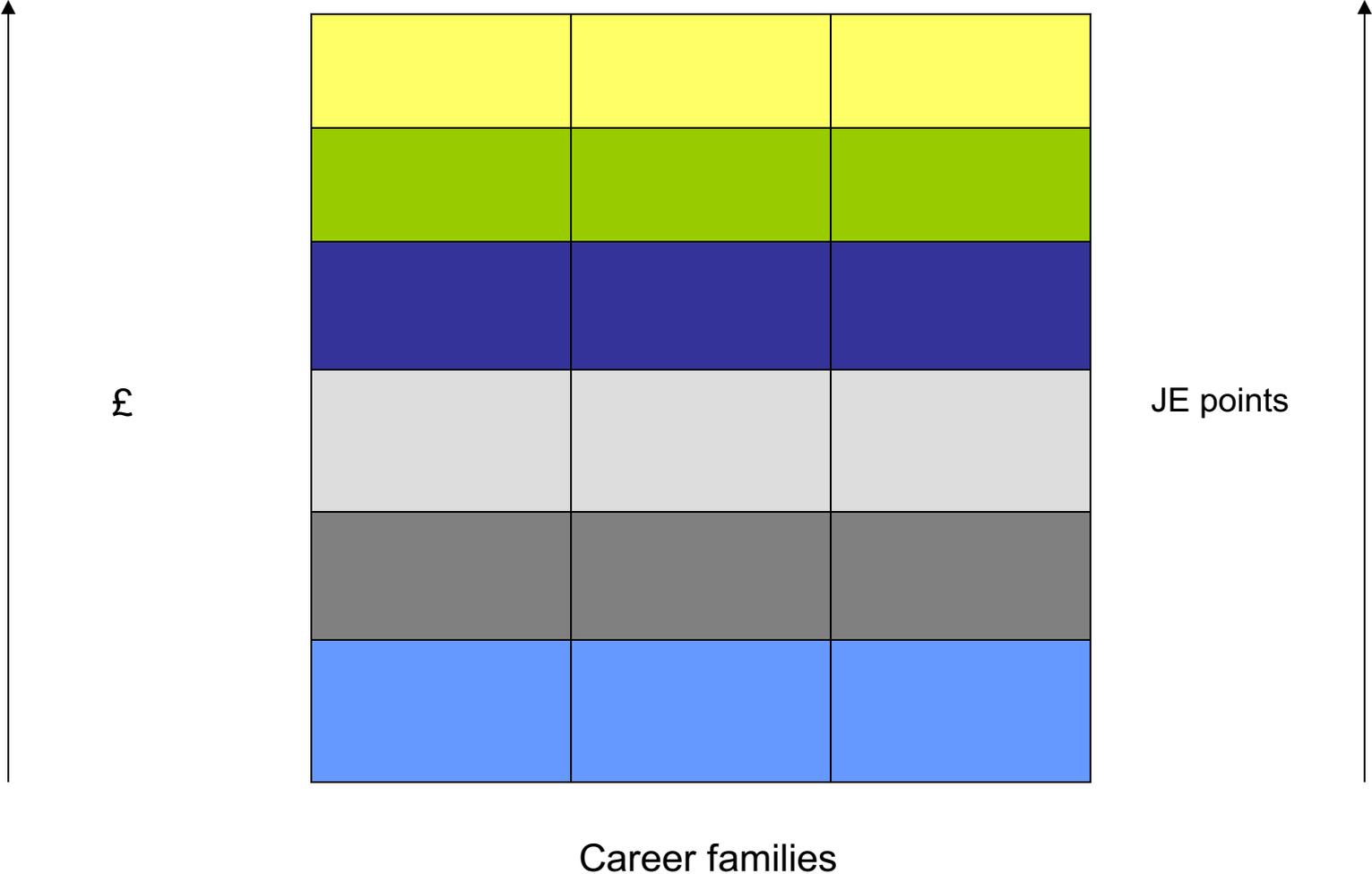
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MODEL OF A JOB FAMILY STRUCTURE

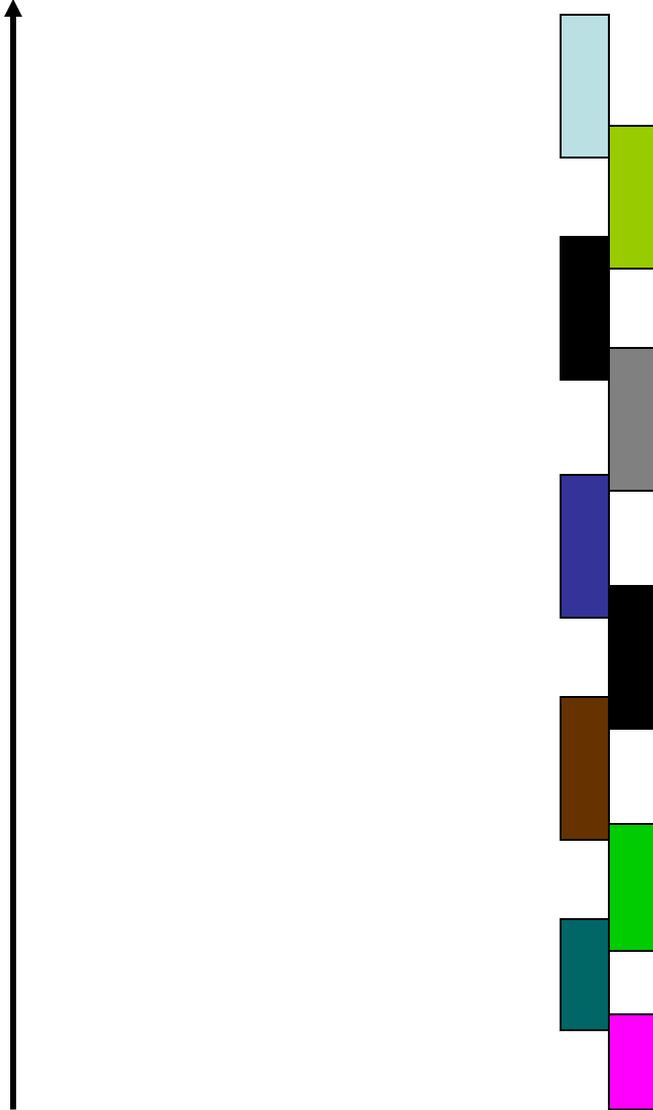


MODEL OF A CAREER FAMILY STRUCTURE



A PAY SPINE

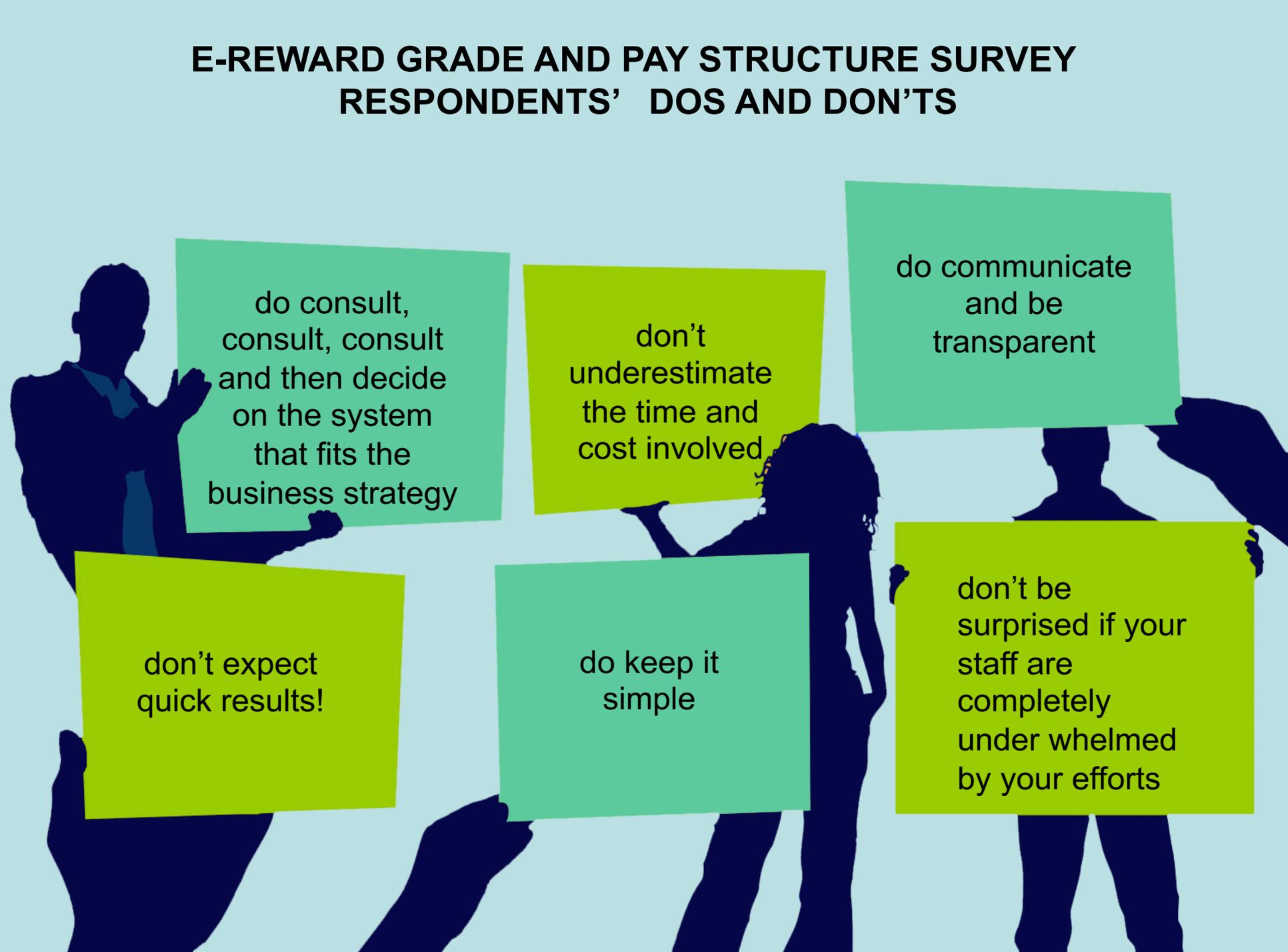
Pay
spine



Designing grade and pay structures



E-REWARD GRADE AND PAY STRUCTURE SURVEY RESPONDENTS' DOS AND DON'TS

The background features dark blue silhouettes of several people in business attire. Some are holding up rectangular signs with text. The signs are colored in shades of green and yellow. The overall scene is set against a light blue background.

do consult,
consult, consult
and then decide
on the system
that fits the
business strategy

don't
underestimate
the time and
cost involved

do communicate
and be
transparent

don't expect
quick results!

do keep it
simple

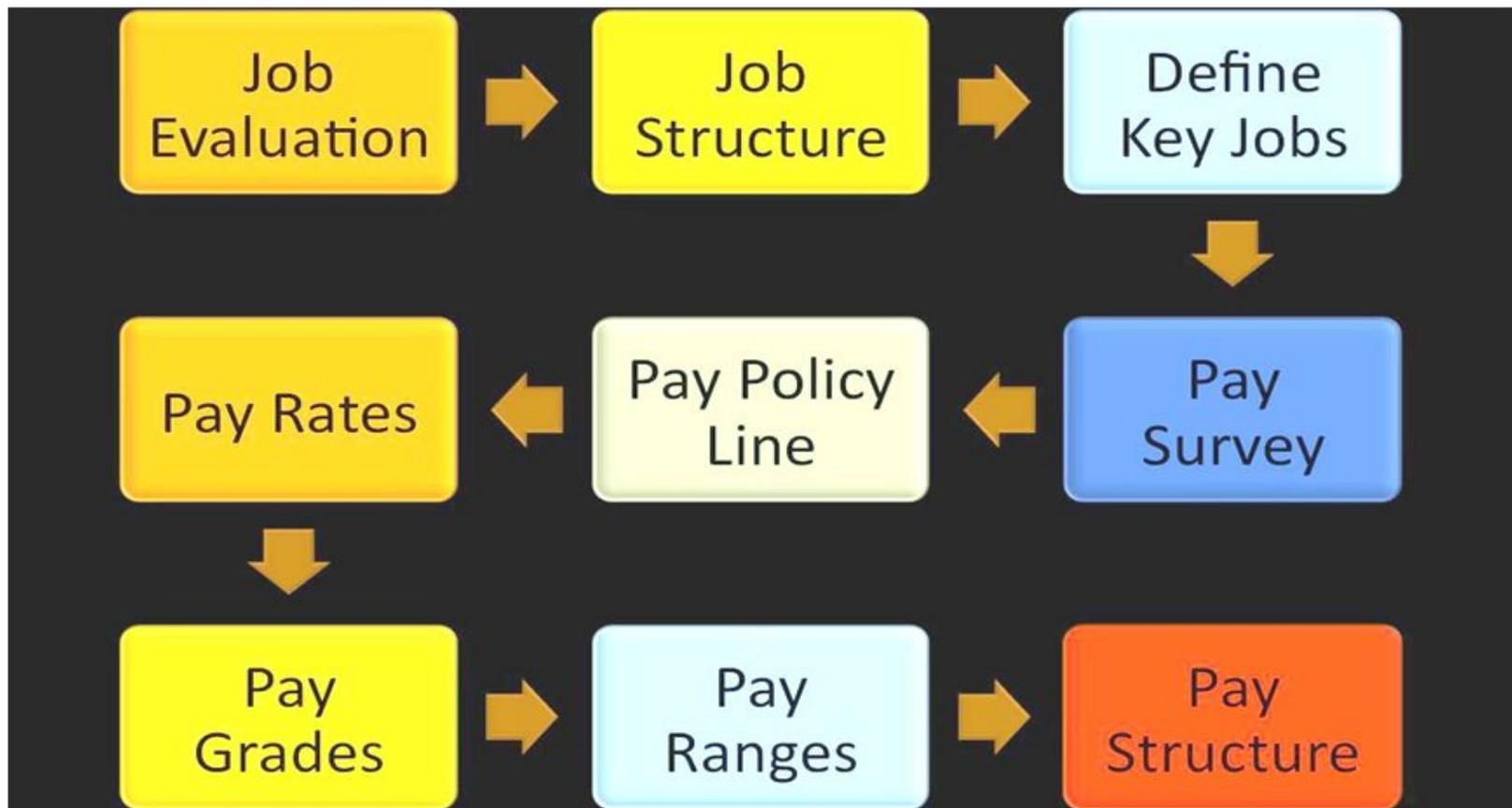
don't be
surprised if your
staff are
completely
underwhelmed
by your efforts

CONCLUSIONS

- link to the company strategy – how will the structure help the business?
- plan the development/introduction – it will take time
- involve line managers from the outset
- keep the structure simple to allow flexibility
- have a clear communication plan
- think through how salaries will be managed, jobs will be evaluated, the annual salary planning process will operate



Pay Structure: Putting It All Together



Team Pay



What is Team Pay?

- Team pay links payments to members of a formally established team to the performance of that team.
- The rewards are shared among the members of the team.
- Rewards for individuals may also be influenced by assessments of their contribution to team results.



Aim of Team Play



What is the Aim of Team Pay

Three key aims of Team Pay are:

- providing incentives and other means of recognising team achievements;
- clarifying what teams are expected to achieve
- conveying the message that one of the organization's core values is effective teamwork.



What is the rationale for Team Pay?

There are four main reasons for Team Pay in organisations namely:

- Teams are the natural units in organisation.
- Team pay encourages good teamwork.
- Team performance measure are often the only one available.
- Team incentives promotes peer monitoring in smaller teams.

How does Team Pay work?

- Some organisations pay individual and team bonuses
- Team pay is distributed as cash sum
- Bonuses can be distributed to team members in the form of either a percentage of base salary (the most popular method) or the same sum for each member.



Why Team Pay matters?



What are the Advantages of Team Pay

Team pay can:

- encourage team working and co-operative behaviour;
- enhance flexible working within teams and encourage multi-skilling, clarify team goals and priorities and provide for the integration of organizational and team objectives;
- encourage less effective performers to improve in order to meet team standards
- serve as a means of developing self-managed or self-directed teams

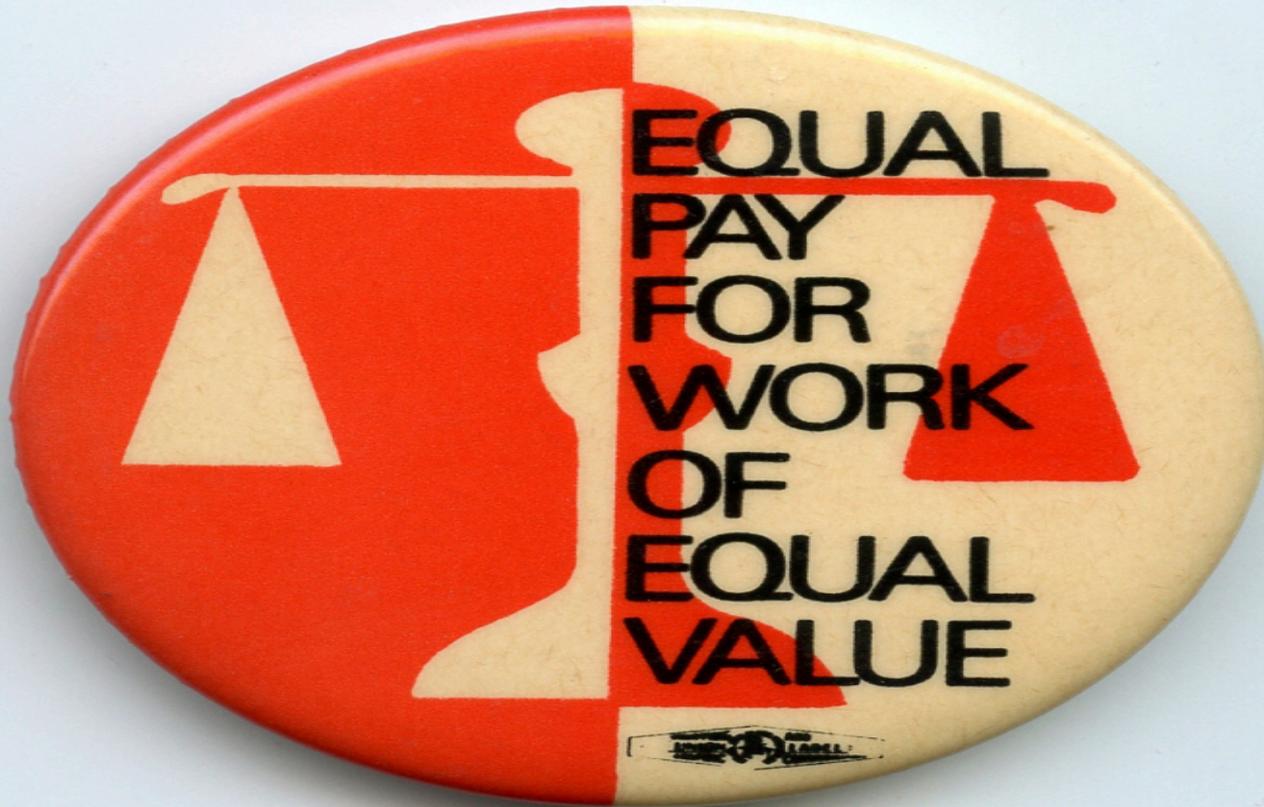
Pros and Cons of Team Pay



What are the Disadvantages of Team Pay

- The effectiveness of team pay depends on the existence of well defined and mature teams.
- Team pay may seem unfair to individuals
- Pressure to conform, which is accentuated by team pay, could result in the team maintaining its output at lowest common denominator levels
- It can be difficult to develop performance measures and methods.

Equal Pay



Why unequal pay?

A black and white portrait of Gloria Steinem, a woman with shoulder-length hair and glasses, smiling slightly. The portrait is on the left side of the slide.

“ Equal pay, and I mean for equal work, would put \$200 billion more into the economy every year...Those women are not going to put that money into a Cayman Islands bank account—they are going to spend that money, and that is going to create jobs.”

—Gloria Steinem

CREDO
mobile

Why unequal Pay exists?

- Gender discrimination in the ways in which jobs are graded and paid
- Widespread occupational segregation by gender
- Differences in the labour supply and labour market conditions which allow the differences to be perpetuated
- The unequal impact of women's family responsibilities
- The design and operation of pay structures
- Wage setting practices, eg following discriminatory market rates
- Poor union representation,
- Career breaks

Equality Act 2010

- The Equality Act 2010 gives women (and men) a right to equal pay for equal work. It replaces previous legislation, including the Equal Pay Act 1970 and its amendments.



What are the basic provisions of Equal Pay?

- A woman doing equal work with a man in the same employment is entitled to equality in pay
- Where there is equal work, the Act implies
- Employers must show where disparity exists.
- Equal pay provisions apply to all contractual terms



What is Equal Work?

A woman can claim equal pay and other contract terms with a male comparator when her work can be placed in any of the following three categories:

- *Like work* - work that is the same or broadly similar
- *Equivalent work* - work which is different, but which is rated under the same job evaluation scheme as being work of equal value.
- *Work of equal value* – work which is different but of equal value

Equal Pay Claims



Claims for Equal Pay

Claims can be made to an employment tribunal on any of the following three grounds:

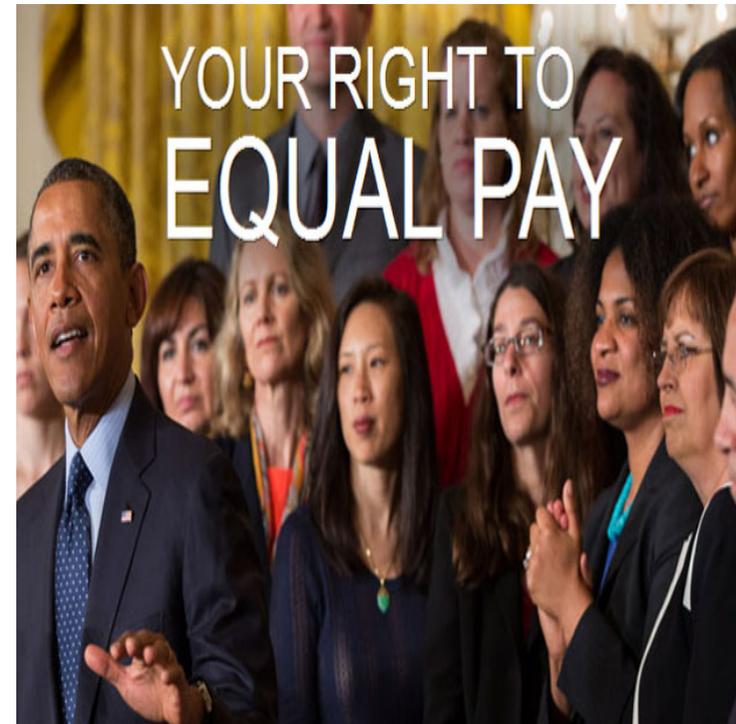
- Where the work is *like work*, meaning the same or very similar work.
- Where the work is *work rated as equivalent* under a job evaluation 'study'.
- 3. Where the work is of *equal value* 'in terms of the demands made on a worker under various headings, for instance, effort, skill, decision'.

How to achieve Equal Pay?



How to achieve Equal Pay?

- Apply analytical job evaluation
- Avoid discrimination and bias
- Design a grade and pay structure which is free of bias.
- Avoid biases whilst grading jobs.
- Check policies and practices for grading jobs.
- Check the policy and practice on assimilating staff into a new grade and pay structure
- Review policy and practices to avoid discrimination.
- Conduct an equal pay review .
- Line management responsibility is critical.



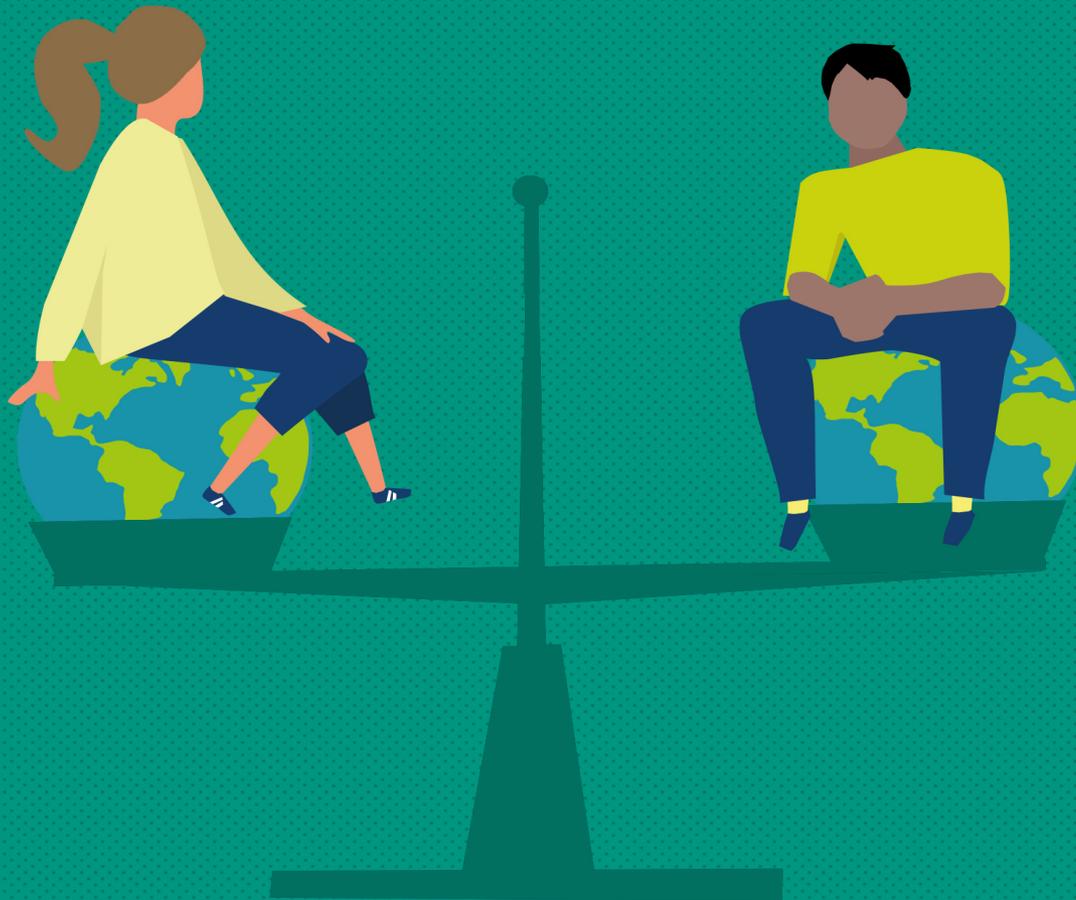
What are the Grounds for defending an Equal Pay Claim

The two most common grounds for defending a claim are:

- The work is not equal
- There is a genuine material factor which justifies the difference in pay as long as the justification is objective.



Gender Pay Gap



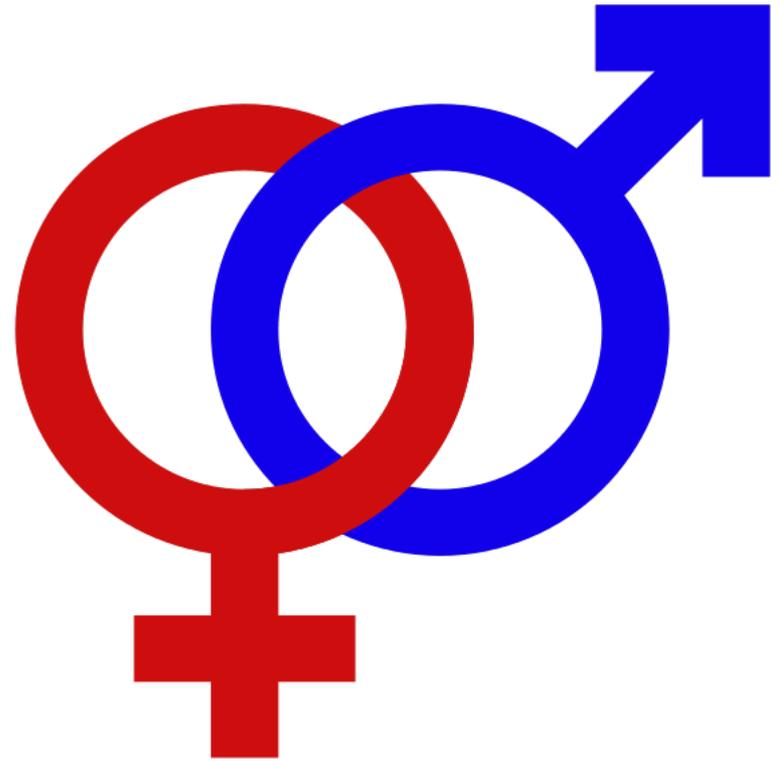
Class Activity

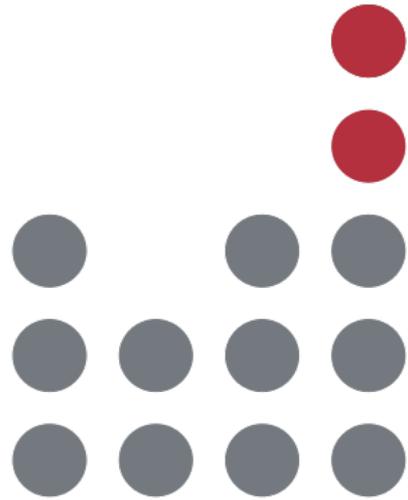
- Watch Gender Pay Gap: a long-term plan isn't fast enough by Zara Nanu
TEDxUniversityofBristol

https://www.ted.com/talks/zara_nanu_gender_pay_gap_a_long_term_plan_isn_t_fast_enough

Gender Pay Gap is...

The difference between the earnings of men and women as a proportion of the earnings of men.





PayScale

Pay Gap Statistics

The National Earnings Survey reported in April 2017 the gender pay gap (for median earnings) for full-time employees was 9.1%. The gap for all employees was 18.4%.



Why Gender Pay Gap exist?



Why the Pay Gap?

The reasons for the gap...

- Lack of women in high pay jobs (probably the most important reason)
- Under-representation of women on boards
- Unequal pay
- Lack of transparency
- Return to work after maternity having lost pay rise opportunities
- Recruitment of women at lower rates than man
- Pay increase decisions may favour man
- Ratings in performance management may be biased in favour of men
- Careers advice may direct school leavers into lower paid jobs typically filed by women
- Limitation of learning opportunities for women, for example in STEM subjects



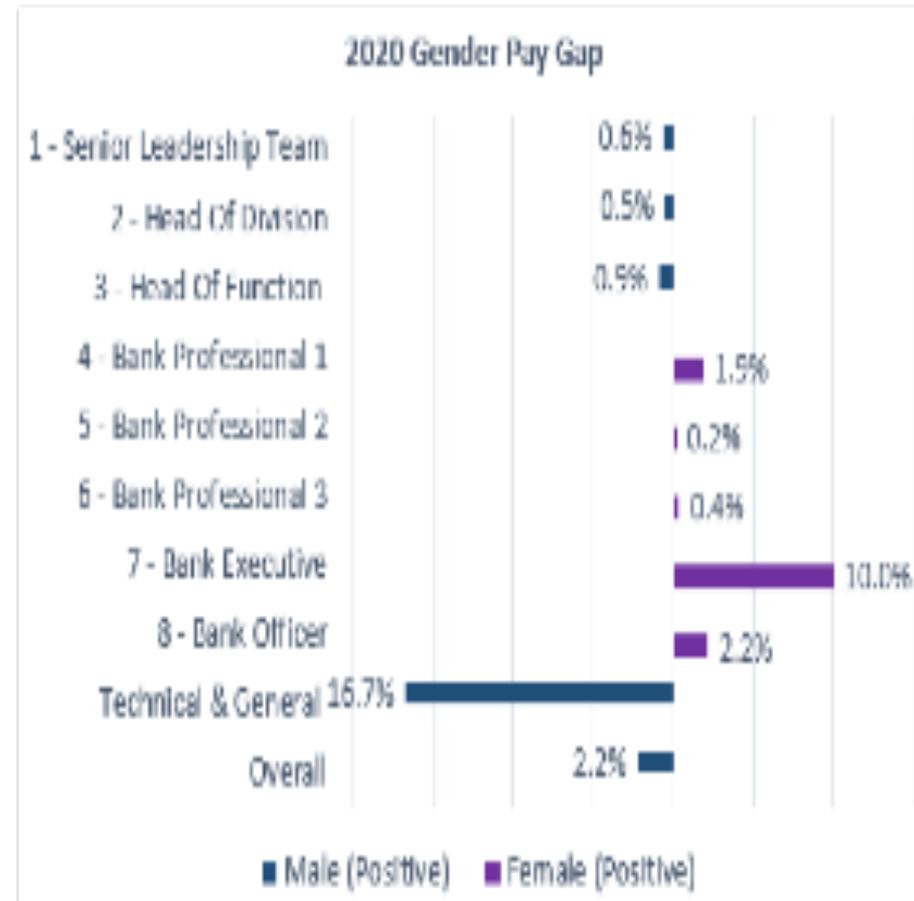
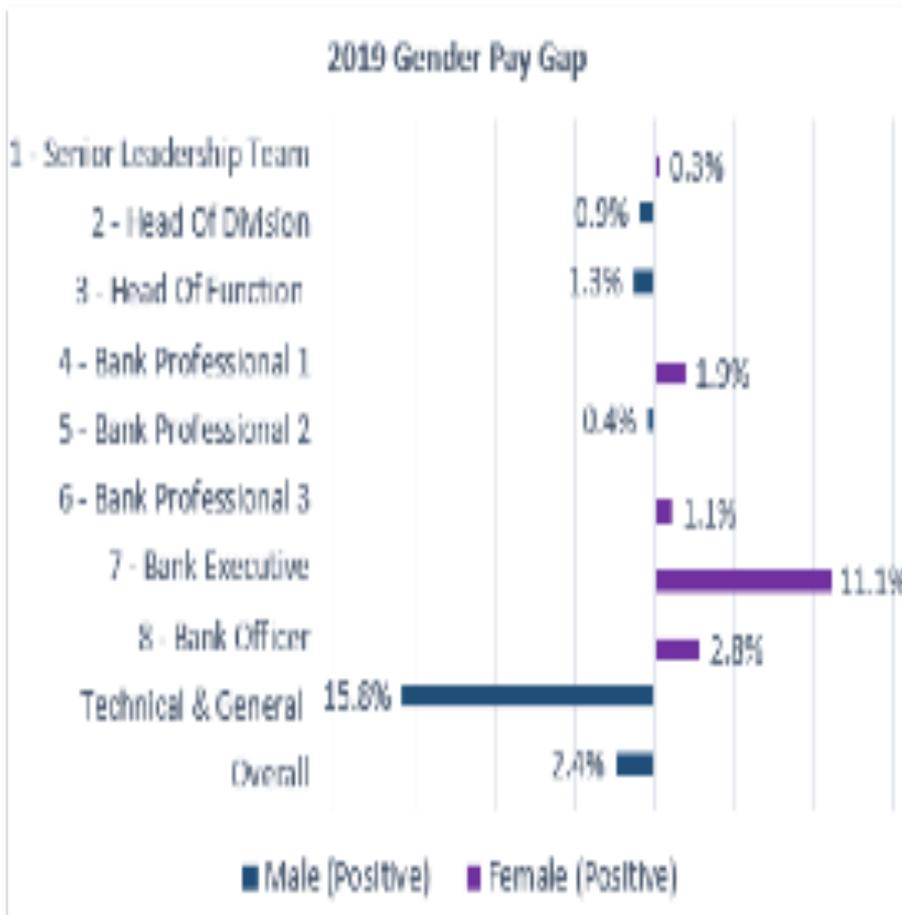
G₂ E₁ N₁ D₂ E₁ R₁

What can organisations do about Gender Pay Gap?

- Under-representation in more senior roles
- Unequal pay
- Lack of transparency
- Pay increase decisions
- Recruitment issues
- Return to work after maternity leave
- Learning and Development
- Flexible working
- Performance Management

equality

Central Bank of Ireland Gender Pay Gap Report



Central Bank of Ireland Gender Representation Salary Scale/Grade

Figure 2 | Gender Representation by Salary Scale/Grade as per our published salary scales.

Pay grades	2018 Gender Distribution		2019 Gender Distribution		2020 Gender Distribution	
	Female %	Male %	Female %	Male %	Female %	Male %
SLT Senior Leadership Team	39%	61%	40%	60%	38%	62%
HOD Head of Division	49%	51%	46%	54%	45%	55%
HOF Head of Function	41%	59%	45%	55%	46%	54%
BP1 Bank Professional 1	47%	53%	39%	61%	39%	61%
BP2 Bank Professional 2	47%	53%	50%	50%	50%	50%
BP3 Bank Professional 3	51%	49%	48%	52%	47%	53%
BEX Bank Executive	59%	41%	59%	41%	57%	43%
BO Bank Officer	59%	41%	60%	40%	59%	41%
<u>P&A Total</u> Professional and Administrative	51%	49%	50%	50%	50%	50%
<u>T&G Total</u> Technical & General	29%	71%	27%	73%	24%	76%
<u>Overall Total</u>	50%	50%	49%	51%	48%	52%

Factors Affecting Pay Levels

There are several factors affecting pay levels such as:

- Labour market – It is an external market may be local, national or international.
- Classical economic theory – It states that if the supply of labour exceeds the demand, pay levels go down;
- The labour theory of value - The content of labour determines the price of labour
- Human capital theory - Levels of pay are influenced by the value of human capital.

Factors Affecting Pay Levels

There are several factors affecting pay levels such as:

- Efficiency wage theory – Proposes that firms will pay more than the market rate
- Agency theory – States that in most firms there is a separation between the owners (the principals) and the agents (the managers).
- Effort bargain theory - This is the process by which workers strike a bargain with their employers
- Tournament theory – This is a process of increasing the motivation of high-quality staff by offering lucrative prizes.

Factors Affecting Pay Levels

There are other factors affecting pay levels such as:

- Value of the job – The worth of the job
- Value of the person – How are individuals valued by organisations?
- Financial circumstances of the organisation - This is to ensure the pay systems do not cost more than the organisations.
- Trade union influence– collective bargaining power
- Minimum wage – minimum wage legislation

Question!!

- What do you think are the most important factors affecting levels of pay and what can organizations do about them?

25 Jan 2021

Pay structures and pay progression

Outlines the purpose of pay structures and progression, including the common ways of structuring pay and of determining, reviewing and controlling pay progression

Introduction

Pay structures offer a framework for wage progression and can help encourage appropriate behaviours and performance. Pay progression describes how employees are able to increase their pay either within or outside a pay structure.

This factsheet explores the purpose of pay structures and introduces the commonly used types. It considers local pay structures, identifying the main approaches to regional pay differentiation. It also examines the impact of pay structures on an employee's ability to progress, as well as the ways to determine pay progression.

What is a pay structure?

A pay structure is a collection of wage grades, levels or bands that link related jobs within a hierarchy or series. It provides a framework to implement reward strategies and policies.

They are usually designed to:

- Align the reward strategy with the employer's mission, vision, purpose and culture, and business strategy by encouraging required behaviours and performance.
- Bring order and clarity in managing pay rises and career development.
- Help ensure fairness and lawfulness, for example by avoiding pay discrimination.

Sixty per cent of employers questioned for our 2019 Reward management survey use a pay structure. They are most common in large and public sector employers.

The span of each grade is the percentage increase from the minimum to the maximum

salary in the range. For example, if salaries range from £30,000 to £36,000, the grade span is 20%. The wider the span, the greater the potential for progression.

'Differentials' refer to the percentage difference in pay between the mid-point of one grade and the mid-point of the adjoining grade. The differential needs to be high enough to reward taking more responsibility.

What is pay progression?

Pay progression is how an individual moves to higher pay levels within a grade. It's often regarded as the measure of 'real' wage growth. It's distinct from salary rises linked to inflation or wage increases associated with a formal promotion to a higher band.

Organisations use pay progression to:

- Encourage and reward desired employee behaviours.
- Maintain salary competitiveness while controlling payroll costs within set parameters (including affordability).
- Provide a fair and transparent process by which individual wage increases are determined.

Progression is usually determined by the:

- Width of each pay band – the degree of pay level variation within each band.
- Number of pay grades within the overall pay structure.

There may need to be an overlap between the top levels of pay attached to one grade and the lower levels of the next grade up. This recognises the greater value of the input from a highly experienced/skilled individual at the top of their grade compared to a newly-appointed employee on a learning curve at the lower end of the grade above.

Types of pay structures

Pay structures have two key characteristics:

- the number of grades within the structure
- the span of each band.

There are short definitions of different pay structures below, although definitions do vary, and approaches may overlap at times. In fact, a strict definition might exclude the first two categories listed as they could be classified as unstructured pay arrangements.

Individual pay rates, spot rates, spot salaries

There is a single hourly, weekly or annual pay rate for each job or person. Spot rates are often found among lower-skilled occupations where there's a need for a simple 'rate for the job'. They can also occur for more senior positions where the remuneration package is designed to attract, retain and motivate a specific individual.

In this approach, there's no formal structure for progression, but there may be scope for moving to a higher spot rate, or for spot rates to be increased, to keep pace with inflation and/or market rates.

Individual pay ranges, individual job ranges, individual salary ranges

These are more sophisticated versions of spot rates or salaries. Instead of a single rate for the job, a pay range is attached to each job or employee. Individual salary ranges may be preferred to individual pay rates as they allow some formal scope for pay progression.

Narrow-graded pay structures

These comprise a large number of grades, usually ten or more, with jobs of broadly equivalent worth slotted into each grade. Progression usually comes in increments linked to service length. Because grades are narrow, most employees reach the top of the range fairly quickly, potentially leading to demands for upgrading and grade drift (jobs being ranked more highly than justified).

Pay spines

Similar to narrow grades, pay spines are based on a series of incremental points that allow for pay progression linked to length of service.

Broadbanding

This uses a small number of pay bands, typically four or five, to allow for greater pay flexibility than narrow-graded structures. A classic arrangement would have no pay progression limits within each band, although some employers have re-introduced a greater degree of structure, partly to counter equal pay concerns.

Broad-graded pay structures

Half-way between narrow and broadbands, these typically have between six and nine grades. They can help counter 'grade drift' as there's greater scope for individual employees to progress further along a pay grade, without the need for regrading.

Job families

This groups jobs within similar occupations or functions together, usually with around six to eight levels, similar to the number of grades found in broad-graded structures. There are separate pay structures for different families. This approach can help in facilitating higher rates for highly sought-after workers such as specialist IT staff.

Career families, career-grade structures

These use a common pay structure across all job families, rather than operating separate pay structures for each family. They show an emphasis on career paths and progression rather than the greater pay focus of the job families approach.

Local pay structures

This is where pay varies by locality, even within individual occupations. Two inter-related factors contribute to local variation:

- differences in the cost of living
- relative tightness of local labour markets.

Types of pay progression

Progression arrangements should fit and organisation's strategy and ethos. It's also important that arrangements for pay advancement are free of unfair and/or unlawful bias in relation to an employee's age, gender or other protected characteristics.

Types of progression mechanisms include:

Length of service

An individual progresses through a number of incremental pay points with each year of service (usually up to a maximum point after a certain number of years). This rewards the build-up of expertise in the job and helps employee retention. However, it may discriminate indirectly against women as they are more likely to take time out to meet family responsibilities.

Age-related increments

Minimum rates are lower for young workers to help them in their first steps on the employment ladder before progressing to higher levels of pay.

Individual performance-related pay

Pay rises are linked to an individual employee's performance, assessed by their manager. The aim is to encourage staff to perform to the highest level possible. Find out more in our [performance-related pay factsheet](#).

Team performance pay

Pay rises are linked to an assessment of team performance to encourage particular types of behaviour, such as collaborative working.

Organisational performance

Pay rises are linked to organisational performance (for instance, by taking divisional sales levels into account).

Competency pay

Pay rises are based on an assessment of employee competencies in various ways, focusing on the worker's input to the job, rather than achievement, for example customer service or communication skills. Find out more in our [competence and competency frameworks factsheet](#).

Skills-based pay

Pay rises are based on acquiring additional skills or specific qualifications to encourage employees to undertake appropriate study or training.

Market rates

Pay rises are pitched to keep pace with rates for similar jobs or regional pay levels in the external labour market. See more in our [market pricing factsheet](#).

Inflation-linked pay rises

In simple pay structures, a cost of living increase may be applied each year. Such arrangements do not provide any scope for 'real' pay progression.

But as employers seek to link pay with performance, inflation-based rises are rare and largely confined to unionised environments and/or relatively low-skilled or homogeneous occupational groups.

Where pay arrangements are more complex, the structure itself may be adjusted each

year. This is often an inflation-based increase to some pay levels or grade ranges (sometimes excluding certain levels or minimum rates, for example to freeze pay for poor performers), rather than giving everyone within that structure an identical pay rise. For instance, the pay increase may be linked to performance and position in the salary range with those below the median getting more than those above it.

Some employers award both a cost of living increase and a separate award using one or more of the methods below, or the two factors may be combined in determining a single pay award (particularly popular at times of low inflation).

Design issues for pay structures

Key issues in introducing or replacing pay structures include the following.

Aligning pay structures with business and employee needs

It's important to understand the basis for any grades or bands being incorporated into a new or revised pay structure. This involves weighing up the pros and cons of differing types of structure, including how closely they:

- meet the business needs, including affordability
- mirror the mission, vision and values
- meet the needs and aspirations of existing and potential employees, in a clear and non-discriminatory way.

An organisation should regularly review the way it structures pay and determines salary progression as economic, political, regulatory and technological contexts change. If existing arrangements can't adapt to meet its or its employees' requirements, alternative approaches will be needed.

Internal versus external focus

Whether to emphasise an external or an internal focus is key when defining and placing jobs within a band. For example, choosing a market pricing approach, where rates reflect those in the external labour market, rather than an analytical job evaluation scheme that focuses more on internal relationships between jobs within the organisation.

Avoiding unfair discrimination

Given the considerable evidence of gender segregation between and within pay structures, many employers, particularly in the public sector, are attempting to 'gender-proof' pay structures as new arrangements are devised.

Red-circling

Existing employees' pay can be protected through 'red-circling' which maintains an individual's pay at its current level when the job is downgraded under a new structure. However, under equal pay legislation, red-circling is problematic as it tends to perpetuate existing pay inequalities. Limiting the red-circling period could help address this issue, but employers should seek legal advice first.

Controlling pay progression

While modern pay structures aim to allow rewarding higher levels of performance or contribution, employers still need to control payroll costs.

With service-related progression, control is built in as everyone can only achieve one increment each year, up to a set level. But, because it effectively guarantees progression to the pay scale maximum, employers could still face high wage bills, for example, when employee turnover is low and staff become clustered at the top of each pay grade.

Controlling pay progression is particularly important in flexible pay structures, such as broadbanding. A variety of techniques may be used, including:

- **Target (or reference) points:** Under individual performance pay arrangements, it's common for 'satisfactory' performers to progress to a target point in their pay range. Once at that point, the rate of pay progression reduces.
- **Zones:** Involves dividing each pay band into, say, three zones and specifying that individuals can only progress to the next zone for some exceptional reason - particularly useful for employers with a broadband system.
- **Cash bonuses:** A reference point could be set in the pay range beyond which cash bonuses might be paid rather than consolidated pay increases.

Further reading

Books and reports

ARMSTRONG, M. (2019) *Armstrong's handbook of reward management practice: improving performance through reward*. 6th ed. London: Kogan Page.

PERKINS, S.J. and WHITE, G. (2020) *Reward management: alternatives, consequences and contexts*. 4th ed. London: Chartered Institute of Personnel and Development.

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Journal articles

HILL, B. (2019) [The promised land: the optimal pay structure for 2020](#). *Workspan*. November/December. pp34-39.

HOWLETT, E. (2019) [Most employees have never had their pay explained to them](#). *People Management* (online). 3 December.

JEFFREY, R. (2019) [How much should you really pay your people?](#) *People Management* (online). 11 July.

CIPD members can use our [online journals](#) to find articles from over 300 journal titles relevant to HR.

Members and *People Management* subscribers can see articles on the [People Management](#) website.

This factsheet was last updated by Charles Cotton.

Type	Features	Advantages	Disadvantages	When appropriate
Narrow-graded	<ul style="list-style-type: none"> • A sequence of job grades - 10 or more • Narrow pay ranges eg 20%-40% • Progression usually linked to performance 	<ul style="list-style-type: none"> • Clearly indicate pay relativities • Facilitate control • Easy to understand 	<ul style="list-style-type: none"> • Create hierarchical rigidity • Prone to grade drift • Inappropriate in a delayered organisation 	<ul style="list-style-type: none"> • In a large bureaucratic organisation with well defined hierarchies • When close and rigid control is required • When some but not too much scope for pay progression related to performance or contribution is wanted
Broad-graded	<ul style="list-style-type: none"> • A sequence of between 6 and 9 grades • Fairly broad pay ranges eg 40%-50% • Progression linked to contribution and may be controlled by thresholds or zones 	<ul style="list-style-type: none"> • As for narrow graded structures but in addition: • the broader grades can be defined more clearly • better control can be exercised over grade drift 	<ul style="list-style-type: none"> • Too much scope for pay progression • Control mechanisms can be provided but they can be difficult to manage • May be costly 	<ul style="list-style-type: none"> • Desirable to define and differentiate grades more accurately as an aid to better precision when grading jobs; • Grade drift problems exist' • More scope wanted to reward contribution
Broad-banded	<ul style="list-style-type: none"> • A series of, often, 5 or 6 'broad' bands • Wide pay bands - typically between 50% and 80% • Progression linked to contribution and competence 	<ul style="list-style-type: none"> • More flexible • Reward lateral development and growth in competence • Fit new style organisations 	<ul style="list-style-type: none"> • Create unrealistic expectations of scope for pay rises • Seem to restrict scope for promotion • Difficult to understand • Equal pay problems 	<ul style="list-style-type: none"> • In de-layered, process-based, flexible organisations • Where more flexibility in pay determination is wanted • Where the focus is on continuous improvement and lateral development
Job family	<ul style="list-style-type: none"> • Separate grade and pay structures for job families containing similar jobs • Progression linked to competence and/or contribution 	<ul style="list-style-type: none"> • Can appear to be divisive • May inhibit lateral career development • May be difficult to maintain internal equity between job families 	<ul style="list-style-type: none"> • Facilitate pay differentiation between market groups. • Define career paths against clear criteria 	<ul style="list-style-type: none"> • When there are distinct market groups which need to be rewarded differentially • Where there are distinct groups of jobs in families
Pay spine	<ul style="list-style-type: none"> • A series of incremental pay points covering all jobs • Grades may be superimposed • Progression linked to service 	<ul style="list-style-type: none"> • Easy to manage • Pay progression not based on managerial judgment 	<ul style="list-style-type: none"> • No scope for differentiating rewards according to performance • May be costly as staff drift up the spine 	<ul style="list-style-type: none"> • In a public sector or voluntary organisation where this is the traditional approach and it therefore fits the culture • Where it is believed to be impossible to measure differential levels of performance fairly and consistently