

HRM 598 Week 3 Discussion

Designing Pay Levels, Mix, and Play

Course: HRM 598 Compensation

Textbook: Compensation, 14th Edition, by Barry Gerhart

Week 3 Topic: Competitive Concerns

Reading: Chapter 7: Defining Competitiveness and
Chapter 8: Designing Pay Levels, Mix, and Pay

Discussion Prompt:

Consider the following scenario.

You have been hired as the new compensation manager in a medium-sized organization (based on the number of full-time employees).

You asked questions about internal alignment and external competitiveness during the job interview. The responses from the senior leadership group were appropriate. However, you soon sensed that they were not telling you everything. Now that you have had some time in your new company, it's time for a more in-depth analysis of the compensation practices in the firm.

- Compare and contrast pay ranges and grades with bands.
- Why would you use either? Does their use assist or hinder the achievement of internal alignment? External competitiveness?
- Which competitive pay policy would you recommend to your new employer? Why?

Pay ranges and grades have clear minimums, midpoints, and maximums for each level, while bands cover a bigger pay span and sometimes multiple levels in one place. Ranges and grades make it easier to compare jobs, explain why one role is paid more than another, and keep pay decisions consistent, but they can feel more rigid. Bands give managers more room to move, react to market changes, and reward top employees. However, that extra flexibility can make internal equity harder to manage.