

A Modern Concept of Broad Banding Pay Scales

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ABSTRACT - To develop a competitive advantage in a global economy, the compensation program of the organization must support totally the strategic plans and actions of the organization. The compensation system results from the allocation, conversion and transfer of a portion of the income of an organization to its employees for their monetary and in kind claims on goods and services. Broadbanding practice in which the number of grades in a pay scale structure is reduced and the differential between one grade and the next is increased. It is said to decrease intra-firm rivalry in employees and to increase cross departmental flexibility. In a broadband pay structure the numbers of salary grades are consolidated into fewer, but broader pay ranges. In broad banding the spread of the pay ranges is wider and there is less overlap with other pay ranges.

KEYWORDS: Broadbanding, Compensation, Pay Grades.

I. INTRODUCTION

As Albert Camus, the French Philosopher stated "without work all life goes rotten. But when work is soulless life stifles and dies". For the great majority of people, work is a necessity. As the result of working, people obtain compensation rewards that people money to purchase a wide variety of goods and services or receive in kind payments of goods and services that would have required the expenditure of money had they not been provided by the employer.

Broadbanding pay structure consisting of a few (Four to Eight) pay grades/bands with each band having a relatively wide range. Broad banding evolved because organizations want to flatten their hierarchies and move decisions. Making closer to the point where necessity and knowledge exists in organizations. In flattered organizations, fewer promotional opportunities exist so the broadbanding structure allows more latitude for pay increases and career growth without promotion.

Most firms end up with pay plans that slot jobs into classes or grades, each with its own vertical pay rate range. For eg: the U S Government's pay plan consists of 18 main grades (GS -1 TO GS-18) each with its own pay range. For an employee whose job falls in one of these grades, the pay range for that grade dictates his or her minimum or maximum salary.

It encourages the development of broad employee skills, because non managerial jobs are appropriately valued and skill development is rewarded. It is not as sensitive to changing market pricing conditions, so they cost less to administer and manage over time. They also provide serious non promotional income opportunities.

II. OBJECTIVES OF THE STUDY

- To know the broad banding concept.
- To know the differences between traditional compensation and broad banding pay scales.
- To know the scope and benefits of broad banding pay scales.

III. LITERATURE REVIEW

Broadbanding is a method for evaluation and construction of job grading structure that exchanges a large number of narrow salary ranges for a smaller number of broader salary ranges. It aids in establishing what is required to pay for a specific position. This type of pay structure encourages the development of broad employee skills and growth while reducing the opportunity for promotion.

The need to simplify a complex and rigid classification and compensation system and delegate more authority to managers was the driving force behind the broadbanding experiment. The current classification allows the manager to be precisely wrong.

IV. RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. Descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both, often within the same study.

V. ADVANTAGES OF BROADBANDING

1. Broadbanding support and foster the development and growth of broad employee skill.

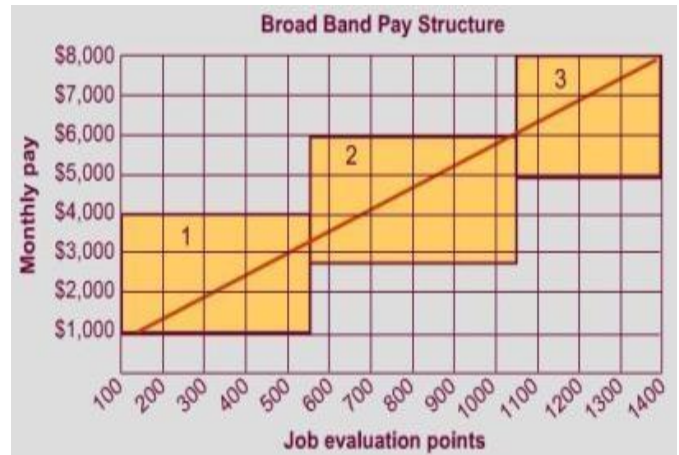
2. Promote internal movement of employees because other characteristics are focused more since the pay grade is disclosed.
3. It helps to introduce broader pay range within a job level. So the hierarchy can be streamlined.
4. Large number of narrow salary range within a level, is a blessing to employees which increases the pay and other opportunities without promotion.
5. Number of pay grades can be reduced. So less paperwork for management and less complexity than traditional grading.
6. This method is very much appreciated by employees because more concern for competencies and productivity.
7. Radical change in pay management because the overall system is less grades and simplified.
8. Employees feel more transparency related with pay and procedures.

VI. DISADVANTAGES OF BROAD BANDING

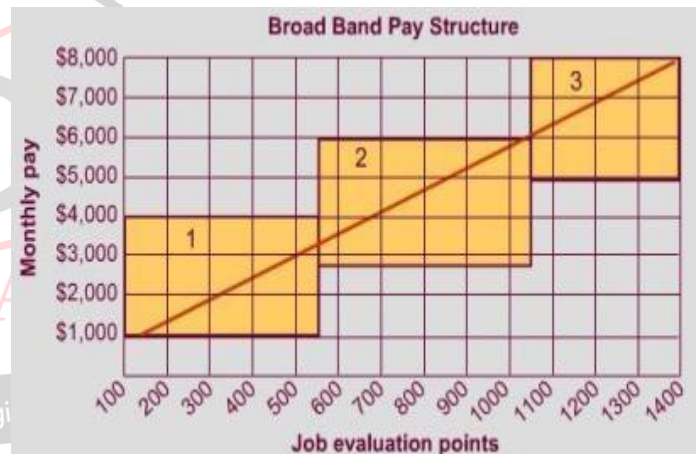
1. Increase in salary does not foster the opportunity for promotion. Since promotion is traditionally considered as a non financial motivator, it really reduces loyalty and commitment.
2. The prevailing salary rate in market is ignored, hence cannot have competitive advantages.
3. Employees perceive it as inequality as it gives importance to large number of narrow salary ranges.
4. Employees performing similar job, roles, task in the same level receive huge difference in salary. It is against the concept of equity in General Principles of Management proposed by Henry Fayol.
5. The relationship between salary and skills is hardly unveiled, so that employees feel demotivated.
6. Sometimes people with no hardwork is appreciated, so trust between management and worker in relation, to the matters such as pay, promotion etc are hindered.
7. More emphasize to skill than position. Under structure paves way to confusion, complexity. So that employees fail to recognize their progress.
8. Under career path lack of self appraisal, lack of morale, high employee turnover, no need for achievement and no self-actualization are the dysfunctional aspect of broad banding.
9. Employee has to undergo training without promotion.
10. Difficult to benchmark the tasks and activities within a job.

VII. BENEFITS OF BROAD BANDING.

1. It is implemented in the large or hierarchical levels of organizations.
2. It removes the levels of management.



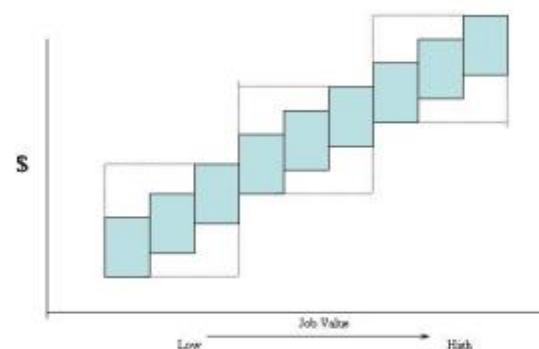
3. Manager can easily encourage his/her employees to broaden their skills and abilities.
4. It helps employees for the success in a total quality or continuous improvement in the environment.
5. The traditional organizations are narrow and specialized.



6. The employees to advance in pay and responsibility, they have to further develop their specialized skill.

ANALYTICS OF BROADBANDING.

Broadbanding



It is interesting to watch concepts that came into play and popularity during an earlier era be "rediscovered" (and sometimes even "repurposed") by the profession. Fewer "grades," coupled with wider ranges sounds like less structure, less bureaucracy, less administrative work and more flexibility.

VIII. CONCLUSION

The broad banding structure is one of the complex method of pay structure model in an organization. It requires great effort from the management to structure or design the pay scale. The managers must prepare to defend their decisions, be able to verbalize and justify their decisions. But it foster opportunities and a fine motivator as it broaden, skills and abilities of employees. It clearly defines the competencies, paves way to continuous improvement and smart way to manage people in an organization.

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