

There are a lot of factors to consider when developing or changing a pay structure. This template was set up to give you several different options for plugging in different ranges to see how the numbers turn out and determine what works best for your organization's situation.

Also included are some general guidelines, as well as the pros and cons to consider for each option. Each of the 3 pages/ tabs follows this color coding-

- **Grey Cells** – contain formulas that will calculate based on the values entered in green cells
- **Green Cells** – where you can enter your information
- **White Cells** – there for your information but don't have to be filled out for the grey cells to calculate.

Below is a brief overview of each page, and then after are the definitions and general guidelines to consider when determining pay structures.

### **Page 1 – Define Midpoints – Option 1**

This option works best if you have the minimum and maximums for each salary band.

After you enter the min and max for each band, the file will calculate the midpoint, the midpoint differential and the range spread.

### **Page 2 – Define Midpoints – Option 2**

This option works best if you know the midpoint for one of the lower grades and you have an idea of what you want the midpoint differential to be.

Directions: Start at the bottom in row 31 and enter the midpoint of the lowest band, then enter the midpoint differential percentage in column F. The file will calculate the midpoint for each level above it. If there are blank cells at the top you can hide the rows by highlighting them, right click and select hide.

### **Page 3 – Define Min and Max**

This option works best when you have the midpoints and need to determine the minimum and maximums for each salary band.

Directions – Enter the salary bands, their midpoints and the range spread. The file will then calculate the min and max for each band and the midpoint differentials.

## **Making sense of the different range metrics**

**Midpoint** – The middle number between the minimum and maximum. The midpoint should be based on market data, gathered from salary surveys and can also be referred to as the 'market' rate. The midpoint is considered the target pay for someone who meets the requirements and performs the position efficiently.

In survey data, the midpoint is the same as the 50<sup>th</sup> percentile. A company can still choose to target a higher or lower percentile in survey data, and use a different percentile as their salary band midpoint.

**Midpoint Differential** – The difference between the midpoints of each adjacent salary band.

Midpoint progression should be designed to provide midpoints that reflect market rates, as well as considering how internal promotions and career progressions will occur as an employee is promoted to the next grade. Typically, lower-level jobs tend to have a smaller midpoint differential, and the differential increases for higher-level positions.

Here are a couple examples of typical midpoint differential progressions:

Position Type	Typical Midpoint Differential
Non-exempt positions	5% - 10%
Exempt and professional positions	8% - 15%
Managers and Directors	10% - 15%
Vice-President and Executive	15% - 20%

Position Type	Typical Midpoint Differential
Clerical/ production positions	5% - 12%
Paraprofessional, Professional, Management	10% - 15%
VP, Executive	20% - 35%

The midpoint differential is typically 15% to 25% between a manager and their subordinates. Reviewing the organizational charts against a new band structure can help to check for any issues.

**Range Spread** – Displayed as a percentage to show the range from the minimum to maximum within each salary band range. When you have the range midpoint, it can help to use a consistent range spread across similar positions/bands to develop the min and max:

- $Max = Min \times (1 + \text{range spread } \%)$
- $Min = \text{Midpoint} / (1 + (\text{range spread}/2))$
- Or if you have the range min and max, you can calculate the range spread as a percentage:  $(\text{range max} - \text{range min}) / \text{range min}$ .

**Typical range spread per position types:**

Job Type	Typical Range Spread
Manufacturing or service	20% - 30%
Clerical or technical	30% - 40%
Supervisory or professional	40% - 50%
Management or executive	50% +

\*Others allow for 50% - 60% range spread in all positions, so it varies a lot per organization.

\*Higher range spreads can be appropriate for jobs at higher levels in the company, where there is a lot of variance in incumbent pay.

\*Smaller range spreads can benefit lower level positions

where the market rates are closer. If the range spread is too large it becomes harder to ensure the internal progression of entry hires to the market rate/ midpoint.