

TABLE 46.1 Summary description of different formal grade and pay structures

Type of structure	Features	Advantages	Disadvantages
Narrow-graded	• A sequence of job grades – 10 or more • Narrow pay ranges eg 20– 40% • Progression usually linked to performance	• Clearly indicate pay relativities • Facilitate control • Easy to understand	• Create hierarchical rigidity • Prone to grade drift • Inappropriate in a delayed organization
Broad-graded	• 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	As for narrow-graded structures but in addition: • the broader grades can be defined more clearly • better control can be exercised over grade drift	• Too much scope for pay progression • Control mechanisms can be provided but they can be difficult to manage • May be costly
Broad-banded	• A series of, often, 5 or 6 'broad' bands • Wide pay bands – typically between 50% and 80% • Progression linked to contribution and competence	• More flexible • Reward lateral development and growth in competence • Fit new-style organizations	• Create unrealistic expectations of scope for pay rises • Seem to restrict scope for promotion • Difficult to understand • Equal pay problems
Job family	• Separate grade and pay structures for job families containing similar jobs • Progression linked to competence and/or contribution	• Facilitate pay differentiation between market groups • Define career paths against clear criteria	• Can appear to be divisive • May inhibit lateral career development • May be difficult to maintain internal equity between job families unless underpinned by job evaluation
Pay spine	• A series of incremental pay points covering all jobs • Grades may be superimposed • Progression linked to service	• Easy to manage • Pay progression not based on managerial judgement	• No scope for differentiating rewards according to performance • May be costly as staff drift up the spine