



Salary bands: Best practices and template

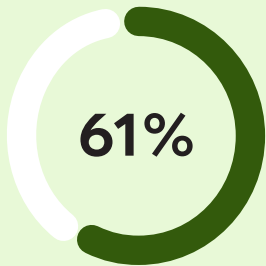
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Introduction

A salary band, often known as a salary range, is a critical way for modern organisations to inject clarity into the compensation process. When done right, salary bands can have a positive impact on:

- **Employee engagement and motivation**
- **Employer branding and talent attraction**
- **Career progression and development**
- **Organisational transparency and culture**

In this guide, we share best practices for introducing salary bands and pay ranges. We offer a step-by-step template to help organisations build salary bands, and with them a more comprehensive and holistic compensation strategy.



Our **research at Personio** found that **61%** of employees would perceive their organisation more positively if they were more transparent about pay levels and bands.



Luke Sondelski
Director of Reward, Personio

“Being transparent about pay doesn’t always need to involve showing the numbers. It should instead focus on showing the fair and thoughtful philosophy, guidelines and process to increase your employees’ understanding of compensation to the benefit of employee performance.”





What is a salary band?

A salary band is a defined pay range that is aligned with a particular role or function by an organisation. Salary bands are most often shaped and defined by internal budgets, industry benchmarks, market factors and organisational priorities.

For example, an organisation may determine that the ideal salary band for a mid-level consultant is somewhere between **£45,000 - £75,000**.

Bands should feature established criteria on how employees can move from a lower level to a higher one. In that way, salary bands are just as much about career progression as they are about compensation.

What is salary benchmarking?

We can think of salary benchmarking as the overall process of building salary bands for levels of your organisation. Benchmarking is the process of gathering and analysing data about the average salaries for various jobs. Salary benchmarking allows you to set competitive salaries for new and existing positions. As you conduct salary benchmarking, you'll need to take into account:

- **Your industry**
- **The job description (JD) for each role**
- **Your company's geographic location(s)**

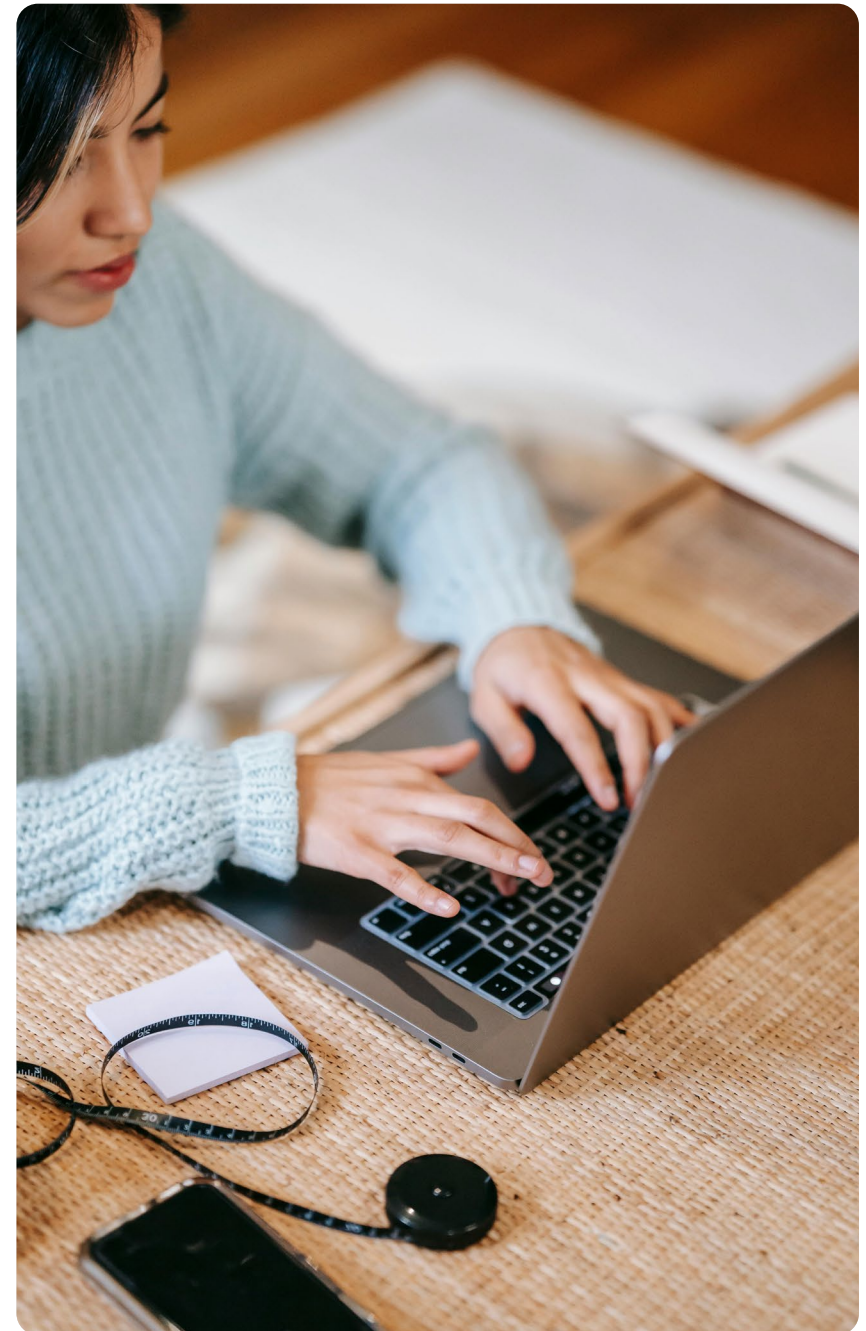
Bottom line: You build salary bands to help establish a more thorough and diligent benchmarking process. In this next section, we'll give you a step-by-step walkthrough of how to create salary bands for better benchmarking and overall compensation.

Create your own salary bands

Try filling out this step-to-step template to gain a better sense of how to create salary bands for your teams...

Organisation Name: [Enter Name]

The purpose of salary bands can be a matter of pay equity, transparency, avoiding talent drains or attracting top talent. Building them out depends on what your organisation chooses to prioritise. Choose an example job role and use this step-by-step guide to build the corresponding band.



Step one

Job analysis and evaluation

Job Title:

[Job Title]

Description:

[Brief description of the job role]

Key Responsibilities:

[List of key responsibilities]

Required Qualifications:

[Education, experience, skills]

Job Evaluation:

[Based on your job evaluation methodology]



Best practice

Job evaluations often rely on methods like classification (bundling jobs based on responsibilities, seniority or similarities) or based on market factors (looking at comparable jobs and demand).

Step two

Market research

Comparable job titles:

[List of similar job titles in the industry]

Source of market data:

[Name of the source, e.g., salary surveys, online data]

Market salary range:

Minimum:

[Market minimum salary]

Midpoint:

[Market midpoint salary]

Maximum:

[Market maximum salary]

Step three

Market research

Roles	Minimum Salary	Midpoint Salary	Maximum Salary	Salary Range
Example Role	£40,000	£42,500	£45,000	£5,000

Best practice

The most difficult part of salary bands is working from data that is clear and accurate. Well-known institutions like Mercer or Willis Towers Watson can offer compensation data that can inform salary bands now and into the future.

Step four

Defining salary bands

Salary Band for:

[Job Title]

Band ID:

[Unique identifier for the band]

Range:

Minimum:

[Minimum salary for this role]

Midpoint:

[Midpoint salary for this role]

Maximum:

[Maximum salary for this role]

Range:

[Range between minimum and maximum]

Average:

[Average salary within this band]

Best practice

There is no single way of IDing salary bands that you must stick to. Some organisations prefer to establish bands based on departments, teams, function, seniority or other factors. What matters is remaining consistent with how you compile the ID number.

Step five

Geographic adjustments (if applicable)

Location-based adjustments:

[Details of any adjustments made for different geographic locations]

Best practice

We identified location-based compensation strategies as one of the big **HR trends to watch in 2024**. This should involve thinking through your policies concerning remote/hybrid work and from where you intend to recruit top talent as part of how to compensate employees across locations (now and moving forward).

Step six

Regular review schedule

Next review date:

[Date for next review and adjustment of the band]

Review frequency:

[Annual, bi-annual, etc.]

Best practice

Salary bands should be reviewed periodically for maximum impact. A good rule of thumb is once a year for updating, and twice a year for keeping your data fresh and anticipating any incoming changes.

Step seven

Policy and communication

Adding bands to your HRIS:

[Whatever HR software you use should have the ability to add salary bands for managers, properly informing compensation discussions during performance cycles]

Salary band usage policy:

[Explain how the salary bands will be used within the organisation, including promotion and increment policies]

Communication plan:

[How and when this structure will be communicated to employees]

Best practice

Be sure to properly communicate how salary bands work and how they're used, especially when it comes to informing your performance and career progression processes. Our research has found that close to 85% of your employees will thank you for it.

Step eight

Legal compliance

Compliance Notes:

[Any legal considerations or compliance notes relevant to the salary bands]

Notes

- This template should be filled out for each job title or job family.
- It's important to regularly update your template to reflect changes in market conditions, organisational structure and legal requirements.
- Ensure transparency and fairness in the application of these bands to promote employee trust and morale.





Building a more holistic compensation strategy

If you want to attract, retain and motivate your employees, proper salary bands can build a foundation for paying employees, helping them progress in their careers and for attracting the best talent.

Most of all, salary bands can help inform how you run all of your other activities related to compensation management. This can include things like salary reviews and changes that can (and should) be completed seamlessly.

This is where you can trust Personio to help. Compensation Management with Personio means easily running salary reviews with secure data and easy sign-offs for HR and leaders alike. You can find out more by clicking below.

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