

“An Internal Rating System for Base Pay: Is it Necessary?”
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My wife and I have taken up hiking post “empty nest syndrome” and to be safe, we purchased a GPS system so if by chance we lost our bearings, we can use the GPS to direct us from an unknown or unfamiliar location. How many times have people become lost or disoriented in the woods only to say, “I know that we have passed by this stand of pine trees and that big grey boulder once before.” When in the forest with long stretches of similar trees and landscapes and trails that have not been maintained, it is easy to lose your bearing on the next destination or final destination. Without a handheld GPS device, it is very important to recognize and remember key trail progression points, markers and/or distinct trail benchmarks. Utilizing two coordinates (longitude and latitude) to establish specific beginning point, interim points of interest and an ending point is the most efficient and effective means for traveling between two or more points along a hiking trail.

This X and Y (two intersecting points) application has significant merit when establishing a formal compensation system for any mid-sized organization. For two decades, 1960’s and 1970’s, the Hay Group’s point factor process was the 800 pound gorilla internal job rating system utilized by compensation professionals and human resources executives. With the proliferation of published market salary data, advancement of computer software technology, and the introduction of salary range broad-branding, internal job rating systems lost favor in the world of compensation. Compensation professionals and consultants replaced the X and Y (internal and external) reference points with more comprehensive Y (external) market salary data analysis. Relying only on the external market is comparable to entering the woods without a GPS device and depending on your ability to obtain and recognize numerous reference points while traversing from point A to B and so on.

In 1985, our firm developed a proprietary point factor system, DBCompensation™. The DBCompensation 15 factor internal job rating system has proven to be objective and valid for over twenty years with hundreds of employers and thousand of employees. This X and Y formalized compensation database process is now computerized with web and server based applications for building electronic job descriptions that are aligned with the DBCompensation 15 job factors, entering external market pay means and preparing informative graphs, tables and worksheets to guide companies through the growing complexity of competitive and equitable compensation programs.

The reemergence of GPS X and Y coordinates type internal and external compensation process is being fueled by the following factors:

- Greater employment and pay regulations and oversight
- More sophisticated pay audits and regression analysis
- Objective job values and analysis based on multiple factors
- Increase in the number of fair pay lawsuits and awards
- More emphasis on internal pay line regression analysis
- Demand for efficient X and Y compensation software technology
- More informed employees and employers
- Competition to hire and retain competent employees

We have found frustrated clients who 1) have jobs or positions that do not match the normal salary benchmark positions, 2) have not been able to secure enough published or unpublished market salary comparisons, 3) have concerns about the proper salary range placement for unique positions, 4) have trouble defending their compensation program to internal and external stakeholders and 5) have a feeling that their pay program may foster a discriminatory pay practice but they lack the X and Y comparative analysis to identify such practices.

Why enter the compensation forest with its growing number of complex landscaped features without a proven GPS system? It makes sense to utilize an X (internal job rating system) and Y (external market pay data) process to navigate your organization’s compensation program with pinpoint accuracy. A successful hike in the woods starts with confidence that you know where you are going and will enjoy the views and unique features while on the journey.