



How-To Guide

Pay Grade Structures

HT-NHS-202201

Before We Begin

Large organizations have complex needs when it comes to **position compensation**.

Employees could be situated in different locations around the world. This means that laws, regulations, and the cost of living could be different for each of them.

A large organization could also have positions and employees under different employment types (permanent full-time positions, contractors, unionized employees, etc.)

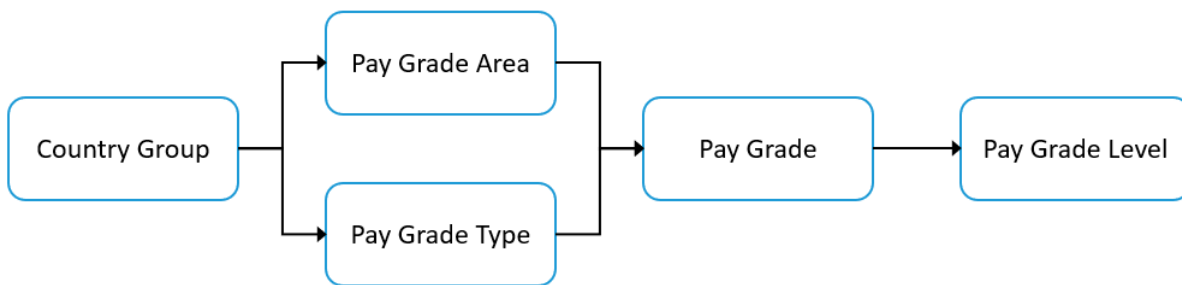
This calls for a sophisticated pay system that takes all these **variables** into consideration and allows HR to properly manage payrolls.

A Hierarchical Categorization System

In the application, you can define this complex pay system through 4 pay-related **data elements**:

1. **Pay Grade Type** (PGT)
2. **Pay Grade Area** (PGA)
3. **Pay Grade** (PG)
4. **Pay Grade Level** (PGL)

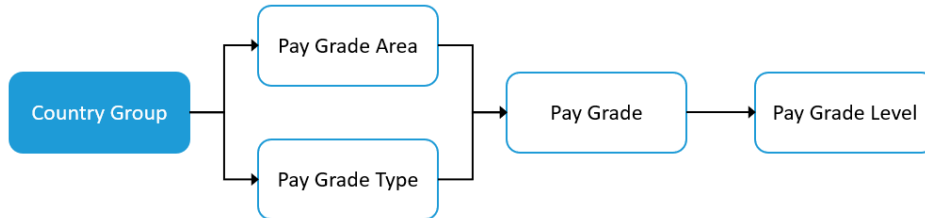
These 4 data elements are **hierarchical** and are associated to pre-defined **Country Groups**.



Together, these data elements are used to determine the **salary ranges** associated to a **position**, and what an employee occupying that position may earn.

Basically, they allow you to effectively describe your organization’s pay system and requirements in the application.

0. Country Group

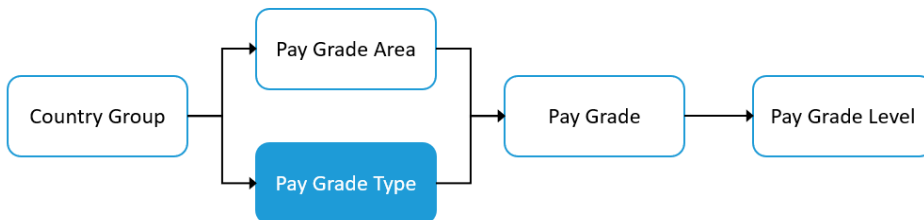


A **country group** is a country, or grouping of countries with similar HR requirements. In the application, it’s represented by the **CountryGroupID**.

Example: Depending on your organization’s HR requirements, all countries in EMEA could be grouped into 1 country group, or each could be its own country group if they’re very distinct from each other.

Country groups need to be defined **before** they can be linked to the other data elements. Otherwise, the application won’t display data correctly.

1. Pay Grade Type



Pay grade type distinguishes between different types of pay grade structures. It categorizes positions into groups. In the application, it’s represented by the **PayGradeTypeID**.

Example: If your organization has unions, you can use pay grade types to distinguish between management employees and unionized employees. If your

organization doesn't have unions, you can use pay grade type to distinguish between full-time employees, contractors, retired employees, etc.

Pay grade types are mapped to country groups. This means that within a same country (or group of countries), you can have multiple pay grade types.

Example: Let's say that 2 country groups are defined in EMEA:

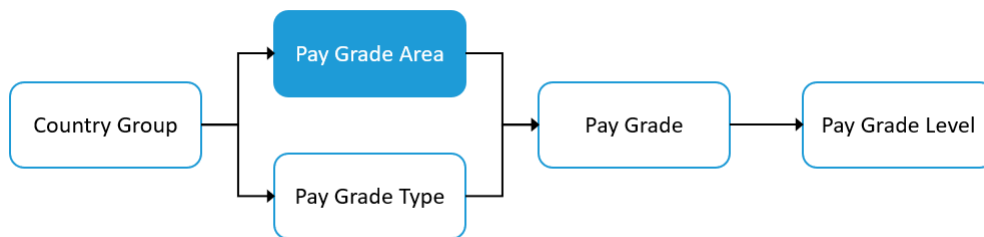
CountryGroupID	Name
CG01	United Kingdom (UK)
CG02	EMEA (excl. UK)

In the UK, we have positions that are salary-based and some that have hourly wages. In the rest of EMEA, we have positions that are either full-time or part-time.

CountryGroupID	PayGradeTypeID	Name
CG01	PGT-01-S	Salaried
CG01	PGT-01-C	Contract
CG02	PGT-02-F	Full-Time
CG02	PGT-02-P	Part-Time

It's important to remember that country groups need to be defined **before** you can link them to pay grade types. If you don't have country groups, you can't have pay grade types, and they won't display properly in the application.

2. Pay Grade Area



Pay grade area distinguishes **logical regions** within a salary structure. This region can either be a geographical region or a user-defined organizational subdivision. In the application, it's represented by the **PayGradeAreaID**.

Example: Pay grade areas that are geographical regions could be provinces, states, countries, etc. Pay grade areas that are user-defined organizational subdivisions could be subsidiaries, departments, etc.

Pay grade areas are also mapped to country groups, like pay grade types.

Example: Let's use the same scenario as above, with 2 country groups in EMEA.

CountryGroupID	Name
CG01	United Kingdom (UK)
CG02	EMEA (excl. UK)

Within the UK, different regions and areas have different living costs. This could mean that similar positions could be compensated differently under different salary structures.

As an example, let's have London as a pay grade area of its own, and combine the rest of the UK in another.

CountryGroupID	PayGradeAreaID	Name
CG01	PGA-01-LON	London
CG01	PGA-01-EXLON	UK (excl. London)

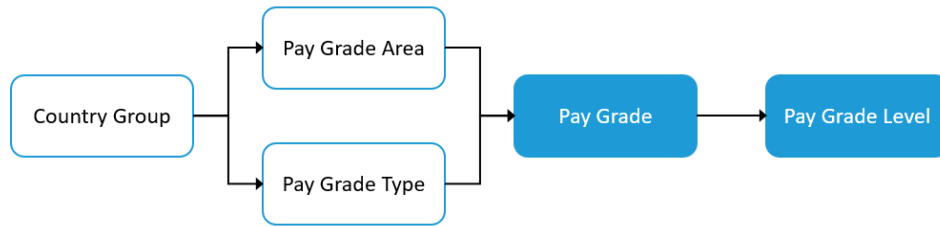
In the rest of EMEA excluding the UK, let's say that each country is its own pay grade area.

CountryGroupID	PayGradeAreaID	Name
CG02	PGA-02-FRA	France
CG02	PGA-02-SPA	Spain
[...]	[...]	[...]

Pay grade type and pay grade area are both mapped to country groups. Once again, you need to define country groups **before** you can link them to pay grade areas. If you don't have country groups, you can't have pay grade areas, and they won't display properly in the application.

You **don't need to have both** pay grade types and pay grade areas at the same time. You can have one of the two, or both, depending on how your salaries are structured.

3. Pay Grade & 4. Pay Grade Level



Pay grade and pay grade level are closely related, and better explained together. **Pay grade** groups similar jobs for compensation. In the application, it's represented by the **PayGradeID**.

Example: Let's say that in our organization, among management employees, we have a pay grade for executives (PGEXEC), another pay grade for directors (PGDIR), and another pay grade for managers (PGMNG)

PayGradeID	Name
PGEXEC	Executives
PGDIR	Directors
PGMNG	Managers

In this case, the CEO, CFO, and CTO fall under the Executives pay grade (PGEXEC), all directors fall under the Directors pay grade (PGDIR), and all managers fall under the Manager pay grade (PGMNG).

Many positions could fall under the same pay grade but it's possible that they'll have different salary ranges, depending on a variety of factors.

This is where **pay grade level** come into play. It defines the salary ranges **within** a pay grade, defining each with a low, a high, and a mid-range amount. In the application, it's represented by **PayGradeLevel**, and is always associated to a pay grade.

Example: Continuing with the example above, let's say that within the Executive pay grade (PGEXEC), there are 2 pay grade levels, each with their low, high, and mid range amounts.

PayGradeID	PayGradeLevel	AmountLow	AmountHigh	AmountMid
PGEXEC	1	100000	300000	200000
PGEXEC	2	100000	200000	150000

In this case, the CEO could have its own pay grade level, with a salary range of 100,000 to 300,000, and the rest of the executive positions could fall under another pay grade level, with a salary range of 100,000 to 200,000.

Pay grade is defined by the country group, pay grade type, and pay grade area. Pay grade can then be divided into several pay grade levels. If you don't have a pay grade, you can't have pay grade levels.

Bringing Everything Together

Once country groups, pay grade type, pay grade area, pay grade, and pay grade level are defined, all these data elements can be brought together in the application to define salary ranges for **positions** within an organization.

Example: Continuing with our previous examples, our organization has 2 country groups in EMEA.

CountryGroupID	Name
CG01	United Kingdom (UK)
CG02	EMEA (excl. UK)

In the UK, we have 2 pay grade types, and in the rest of EMEA, we also have 2 pay grade types.

CountryGroupID	PayGradeTypeID	Name
CG01	PGT-01-S	Salaried
CG01	PGT-01-C	Contract
CG02	PGT-02-F	Full-Time
CG02	PGT-02-P	Part-Time

In the UK, we have 2 pay grade areas, and in the rest of EMEA, every country is its own pay grade area.

CountryGroupID	PayGradeAreaID	Name
CG01	PGA-01-LON	London
CG01	PGA-01-EXLON	UK (excl. London)
CG02	PGA-02-FRA	France
CG02	PGA-02-SPA	Spain
[...]	[...]	[...]

Let's focus on the UK. In the UK, we have 3 kinds of management positions: executives, directors, and managers. These correspond to 3 pay grades.

PayGradeID	Name
PGEXEC	Executives
PGDIR	Directors
PGMNG	Managers

Within the executive pay grade, there are 2 pay grade levels, each with their low, high, and mid range amounts.

PayGradeID	PayGradeLevel	AmountLow	AmountHigh	AmountMid
PGEXEC	1	100000	300000	200000
PGEXEC	2	100000	200000	150000

Now, let's say that in our organization, the CEO has a PositionID of 00001. This position is based in London, UK. This position is also an executive, salaried position. It's also the highest level of its pay grade.

PositionID	CountryGroupID	PayGradeTypeID	PayGradeAreaID	PayGradeID	PayGradeLevel
00001	CG01	PGT-01-S	PGA-01-LON	PGEXEC	1

The CFO (PositionID 00002) is also situated in London, UK. It is also a salaried position but is at a lower pay grade level than the CEO.

PositionID	CountryGroupID	PayGradeTypeID	PayGradeAreaID	PayGradeID	PayGradeLevel
00001	CG01	PGT-01-S	PGA-01-LON	PGEXEC	1
00002	CG01	PGT-01-S	PGA-01-LON	PGEXEC	2

According to the salary range data associated to our pay grade levels, we know that the CEO position has a salary range of 100,000 to 300,000, and that the CFO has a salary range of 100,00 to 200,000.

Key Take-Aways

- ✓ The application can be used to track complex pay systems
- ✓ Variables that influence salary can be defined through 4 pay-related data elements: pay grade type, pay grade area, pay grade, and pay grade level
- ✓ These data elements are hierarchical and associated to pre-defined country groups
- ✓ Each organization can define these data elements differently
- ✓ Ultimately, they're used to determine position salary ranges according to different variables

