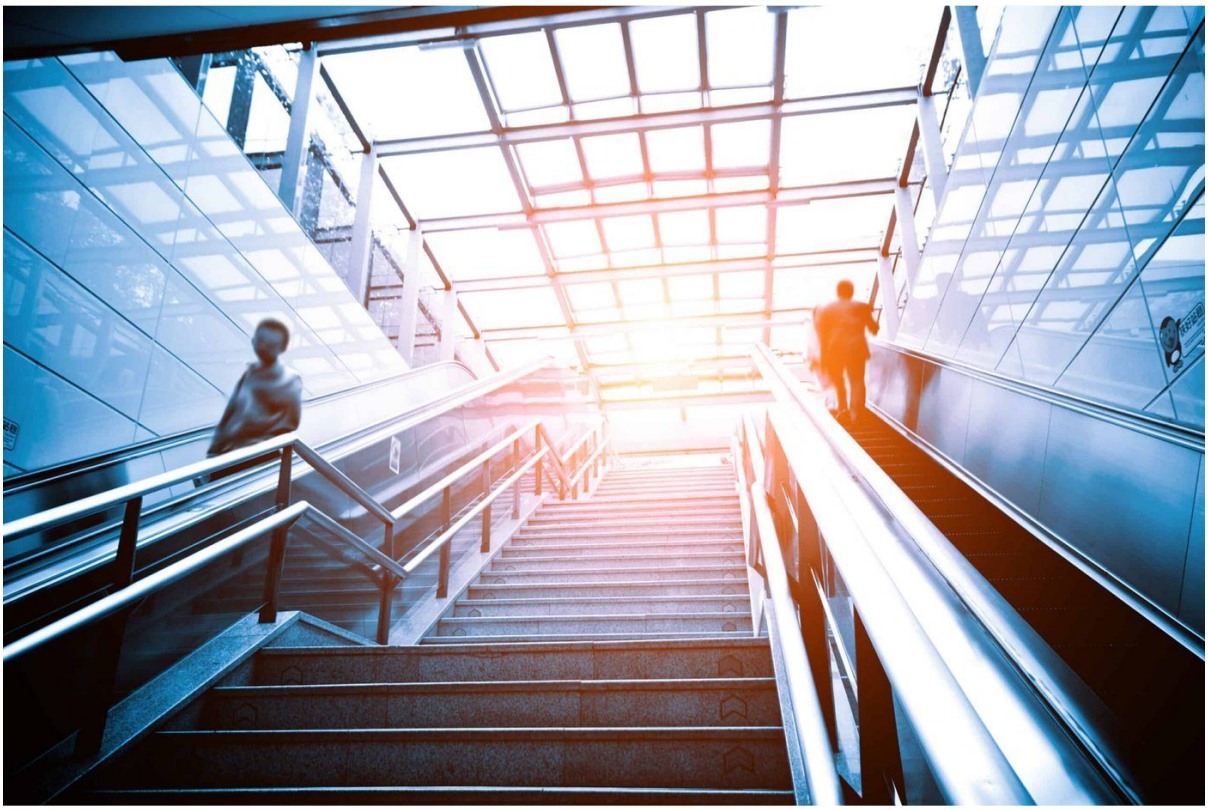
What to Do When People Reach the Top of Their Pay Range

Employees want to feel like their organizations respect and value their work. Conversations that focus less on rigid adherence and more on working with individuals to arrive at compensation decisions will keep your best talent.

Published March 7, 2019



"I'm sorry. You're not eligible for a raise because you've already hit the top of your pay range." When HR professionals and managers say this to employees, one of two things is going on:

1. They believe that there's no way to boost compensation.
2. They are lying.

Not lying about reaching the upper limit of a pay range, but about the ability to improve compensation. Worse, employees can sniff out when HR people or their bosses fall back on the policy as excuses. That's because they know – and you know – that there's always a way. Always.

Pay Ranges

Of course, this all depends on whether your company has published its pay ranges. If you have, and if that's public knowledge, then you should be able to reference your pay range easily. If you have not, then the above would apply. The real question is not *if* you can raise compensation for people at the upper limit of a pay range. Instead, it's *how*. The answer is particularly relevant now given that this is the time of year when many organizations are having annual performance conversations and finalizing raises for the new year. At the same time, a historically low unemployment rate means that employees who feel like their employers are squashing their earning power are more likely to head out the door. Consequently, rather than risk losing top talent, here's what you can do to manage pay plateaus.

Managing Pay Plateaus

1. **Provide pay transparency.** Give workers relevant information about their pay grade and range. Arming them with such knowledge helps prevent uncomfortable surprises and enables managers and their direct reports to have compensation conversations that address pay limits well before reaching those limits.
2. **Discuss career development.** This is a prime opportunity to explore whether employees are in the right roles. Is there a different job – with a different pay grade – that would be more appropriate?
3. **Consider a bonus.** Depending on the industry, a bonus can be just as satisfying as a pay raise. In other words, if company policy is to reward employees with a performance-based bonus that is expressed as a percentage of salary, higher-level employees will earn a more substantial bonus.
4. **Look at other alternatives.** Think about offering extra vacation time, profit-sharing options, and other perks that will improve total compensation. These can be especially impactful reminders for people that their compensation is more than just their salary.
5. **Make an exception.** There are very few rules at any company that is, indeed, rules. Most are merely guidelines disguised as rules. The fact is, you can always make exceptions. If someone's bringing significant value to your organization, which is worse: losing that individual because you were "just following the rules" or paying the person to ensure you retain a terrific employee? It may be wiser, however, to change or amend a bad, or illogical rule rather than to continually make exceptions for it.

Preventing Plateaus

If you find too many employees hitting their pay peaks, then you might want to rethink your compensation structure. Aside from benchmarking against the market, consider whether you have the right number of pay grades, as well as the breadth of the pay grades. Companies that have too many pay grades risk creating overly narrow salary ranges. When that happens, it might help

to implement broadband – that is, combining two or more salary grades to create larger scales. Advantages of broadband include:

- **Fewer pay limits:** Comprehensive ranges enable more salary increases without hitting limits.
- **Internal mobility:** Broadbanding can encourage people to move to different jobs more efficiently.
- **Less bureaucracy:** A smaller number of pay ranges entails fewer management levels.
- **Manager empowerment:** Line managers have higher decision-making power to offer promotions and raise by keeping employees within a given pay grade.

That said, broadband comes with potential drawbacks. For instance, if two workers are in the same band and doing similar work, it can be hard to justify paying them differently. Additionally, promotions can be tricky. With broad pay grades, it can be harder and take longer for people to move into more critical positions. Ultimately, employees want to feel like their organizations respect and value their work. That means having pay conversations that focus less on rigid adherence to policy and more on working with individuals to arrive at compensation decisions that will keep your best talent. In a stable economy, your best talent is always the most mobile, and it's best not to encourage them to find higher compensation on the outside.

This information is for educational purposes only, and not to provide specific legal advice. This may not reflect the most recent developments in the law and may not be applicable to a particular situation or jurisdiction.