



# Banding Points for Pay Equity

## Purposes

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The *Pay Equity Act, 1987* requires that a female job class first look for a male job class of equal or comparable value. But what is comparable when a job comparison system expresses job value in points? What range or band of points, in fact represent job classes that are of comparable value?

To help you find the answer, let's first review traditional banding, a component of many compensation systems long before pay equity.

### Traditional Banding Of Points

There are two traditional types of point bands: fixed bands (the most commonly used) and floating bands.

#### Fixed Bands

The fixed banding of points indicates that slight differences in value between jobs do not warrant paying the jobs differently. Look at the practice of assigning grades, for example. Students who score 90 to 100 points are given a letter grade of A; those who score 80 to 89 receive a B; 70 to 79 points merits a C and so on. No distinction is made between, say, a score of 91 and one of 93; rather, these are defined as comparable and given the same letter grade.

The same thing can apply to job evaluation points and salary ranges. In some systems, for example, jobs that score between 150 and 200 points can be defined as comparable and *placed in the same salary range*. The issue that subsequently arises is how many points should be banded together to reflect jobs of comparable value.

The answer is that there is no point total that is right for every situation. Even when faced with the same point scores for similar jobs, different organizations could select very different point bands. Some organizations, for example, want point bands to be small so that the jobs grouped together and paid the same are very similar in value. This tends to result in more job classes with different salary ranges and may allow for more promotional opportunities, though the salary increase for a promotion might be quite small. Larger point bands, on the other hand, create fewer job classes (each with a different salary range), and promotions would tend to result in larger salary adjustments.

Whichever approach is taken - small or large bands - there are natural forces setting limits. If the bands are set too small, many jobs may have salary ranges that are only slightly different from each other. This will make salary administration more time consuming. If bands are set too large, some jobs may be underpaid or overpaid (because they are banded with jobs that are really of much lower or much higher value). Underpaid jobs, for instance, may be difficult to fill. These natural limits plus the compensation decision about a small or large number of salary ranges will affect how many points to band together.

## **Floating Bands**

In some situations, bands are not set in terms of a fixed-point spread (for example, 20 points or 50 points). Instead, comparable jobs are assessed by focusing on a particular job at its point score and any jobs within a range of plus or minus X points are comparable.

Let's look at a job accorded 400 points. Assume X is equal to 15 points. Then, any jobs that score between 385 points and 415 points are comparable to the 400-point job. If another job is worth, say, 375 points, it is comparable to jobs between 360 and 390 points. Sometimes X is expressed as a percentage rather than points, usually ranging from 5 to 10%.

## **Banding Of Points For Pay Equity Purposes Only**

### **Fixed Bands**

In some pay equity plans, banding is being done in the traditional way. All the job classes in the same point band are paid the same salary range. However, in other pay equity plans, bands are being used only to identify job classes of comparable value but these job classes in the band are *not being paid the same salary range*. In the latter situations, a band is set, all job classes within the band are declared to be of comparable value, and the lowest paid male job class in the band is used as the comparator.

Declaring job classes to be of comparable value but not paying them the same could result in some arbitrary pay equity outcomes. The natural limits that operate in the traditional fixed band approach are not operating.

Banding for pay equity purposes should be consistent with the purpose and intent of the *Pay Equity Act, 1987*. For some organizations, internal equity, although not required, may be another consideration.

To help in this decision, a number of questions are provided below. Remember, where a bargaining agent is involved, all banding decisions are negotiated.

Should bands be expressed in points or in percent?

- When the band is expressed in points, consider its relationship to the total number of points. For example, 100 points is a very large band if there are only a 1,000 total points, but it is not large if there are 4,000 total points.
- When the band is expressed as a percentage, the number of points will be smaller for job classes with lower point values and larger for job classes with higher point values. For example, a 5% band equals 10 points for a job class at 200 points but is 20 points for a job class at 400 points.

## **How many points are appropriate?**

- This will depend on the situation.
- Bands expressed in points are usually expressed in multiples of five (for example, 20, 25, 30, etc.)

## **Where should the band start?**

It could begin at:

- The lowest possible point score in the system. (typical)
- The lowest actual point value of a job class. (typical)
- A typical breakpoint closest to the lowest job class. For example, if the lowest-valued job class is 182 points, the banding could begin at 180; or if the lowest-valued job class is 187 points with a 15-point band, the band could begin at 185. (typical)
- The midpoint of possible scores. (unusual)
- The midpoint of actual scores. (unusual)
- The highest point score. (unusual)
- Or could be a floating band. (typical)
- At a natural break or gap.

## **Should bands be of equal sizes?**

- In traditional banding situations, sometimes bands become larger for higher valued job classes. This is consistent where "geometric progression" was used. (Geometric progression means that the higher degrees of subfactors have greater number of points between levels than the number of points between lower levels).
- Sometimes bands are of unequal size because rather than setting a fixed band, bands are established where there are natural breaks.

***For example, if the points are:***

120 points  
350 points  
380 points  
385 points  
400 points  
410 points

***Some natural breaks are:***

120  
350  
380  
395  
400  
410

## **Are floating bands acceptable?**

- Yes
- There is still the issue of how many points or what percentage the floating band should be.

## **Do What's Right For Your Workplace**

There are few definite answers in this area, so it is important to keep the spirit and intent of the legislation in mind. Are the job classes that are being banded together generally perceived to be comparable? Would paying all the job classes banded together make sense? If the answer to these two questions is no, then it raises the issue of whether the job classes are in fact comparable according to the Act.

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