Life Sciences Companies Are Increasingly Divided Over the Use of Salary Structures

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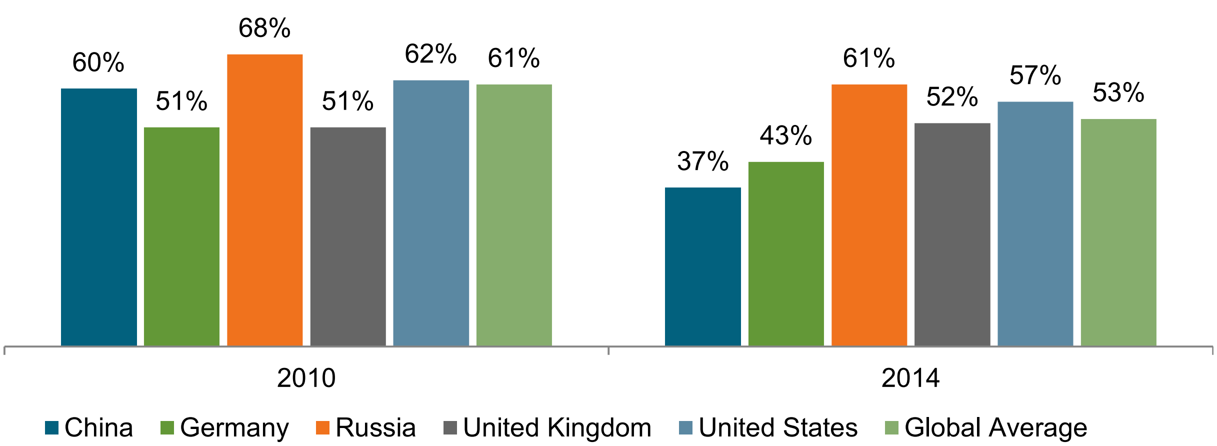
In the world of salary structures, some strange developments are afoot. Over the past four years, Radford has observed a decline in their use among life sciences companies in almost every major market. And at the same time, companies maintaining salary structures are reviewing them with more regularity. Put together, these factors tell us that companies are increasingly divided (and polarized) when it comes to implementing formal salary structures. While many firms have dropped the practice altogether, others are doubling down and investing more regularly to improve existing salary structure systems.

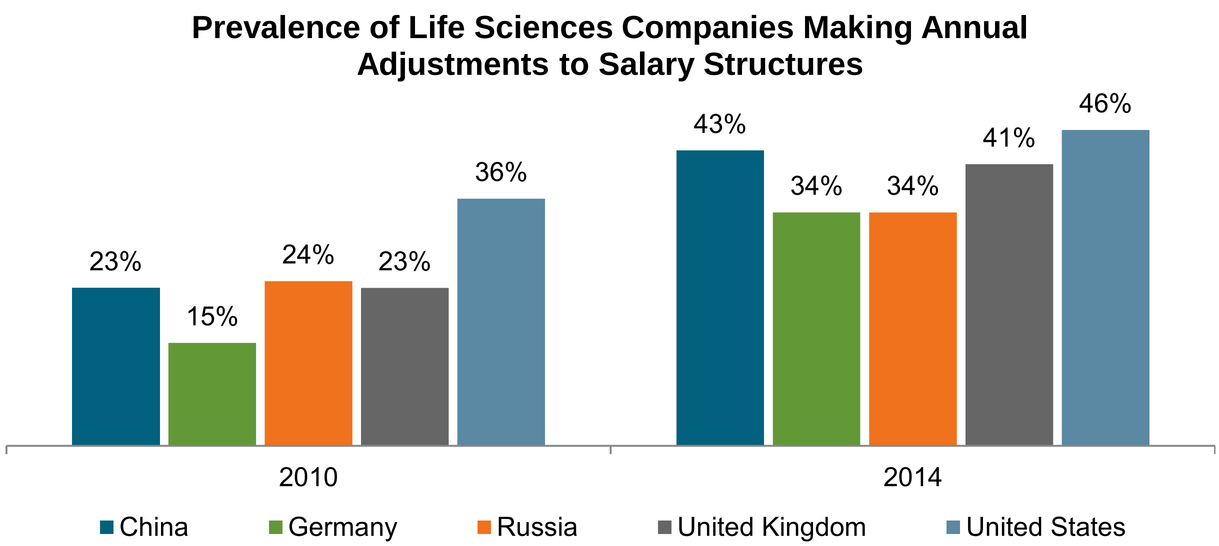
Between 2010 and 2014, the use of salary ranges to define minimum, midpoint and maximum pay levels has fallen, according to an analysis of data from the Radford Global Life Sciences Survey. Interestingly, the United Kingdom (UK) is the only market where we see an increase in the use of salary structures—albeit a modest uptick of only one percentage point.

Prevalence of Life Sciences Companies With Formal Salary Structures in Place



In our opinion, it's not surprising that the life sciences sector is moving away from salary structures; flexibility and open mindedness are hardwired into the DNA of life sciences companies and a formal approach to setting pay ranges can appear too rigid for some firms. If managed incorrectly, salary structures can limit a manager's options for rewarding top performers or recruiting key talent within prescribed salary ranges. And, as is so common within the reward function, if a reward policy does not marry up with the business' needs it will, more often than not, fall by the wayside.

On the other hand, companies that continue to see merit in keeping salary structures find that, similar to managing annual salary increase cycles, structures themselves require maintenance and flexibility. As such, data from the Radford Global Life Sciences Survey also shows how companies with salary structures are increasingly very proactive in making regular adjustments to their salary bands.



While updating salary bands every year may seem cumbersome from an administrative perspective, annual maintenance provides many benefits: principally, maintaining relevance to your organization's employee population and companies within the local and international markets with whom you compete. This includes accounting for annual wage inflation, changing talent pools and macroeconomic changes that can impact the perceived value of one's paycheck. Companies that fail to update their salary bands regularly will find that they become less applicable to their organization and might end up dropping the structure for the wrong reasons.

Conclusion

While there is a worldwide dip in the use of salary structures among life sciences companies, salary structures aren't disappearing completely anytime soon. Just over half of companies globally, still a majority, maintain salary structures. Furthermore, as companies update their salary structures more frequently, we expect that companies choosing to stick with the process will find it even more beneficial to their organization. Regular updates should keep compensation levels consistent, competitive and cost-effective— fulfilling all of the initial goals of building a salary structure in the first place.

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