

As Market Realities Change, Radford's Global Job Leveling Model Rises to the Challenge

A great global job leveling program is the foundation for creating a compelling, fair and market-oriented approach to managing your talent for optimal business results.

Organizational structure and design affects every aspect of a business, including talent mobility, compensation programs and even the speed of innovation. Building or refining job leveling structures to meet the growing and changing demands of your business will result in better communication with your employees, more clearly defined career paths, and salary structures with greater market alignment and internal equity.

Radford's globally consistent approach to job leveling provides companies with the flexibility they need to meet the many nuances of workforce, rewards and regulatory practices in regional markets, while also providing a foundational structure to scale for growth and maintain a globally connected rewards system.

There are several compelling reasons why companies should take time now to evaluate their global job leveling structures, including:

- **Hyper-growth leads to workforce expansion and diversification:** When your headcount grows fast, it quickly becomes imperative for companies to not only understand how each new job they add fits into existing systems, but also to assess the similarities and differences between job roles and underlying skill sets as the business changes.
- **Rapid industry convergence:** Companies are constantly crossing into adjacent industries. What was once considered purely an automotive company, for example, is often also a software company today. As such, non-traditional technology companies that are hiring employees with new types of technical skills are revisiting their job architecture and leveling structures to ensure they are categorizing new jobs and targeting the talent market in a way that reflects the hiring and growth priorities of the organization.
- **Internal pay equity:** Creating fair and transparent job leveling structures ensures salary structures reflect market pay and allow a company to spot pay inequities that might have remained hidden. With each passing year, legislative and societal pressure is mounting to make pay fairness for all a priority.
- **Rising M&A activity:** Many companies revisit their leveling structures following a major transaction as a way to integrate workforces; however, a growing number of companies are seeing the benefits of having an effective leveling structure in place to prepare for M&A before a deal is signed.

Figure 1 illustrates how job leveling systems can address a number of common business concerns:

Figure 1

How a Global Job Leveling System Addresses Common Business Concerns

Business Concerns	Job Leveling Solutions	Business Results
<ul style="list-style-type: none"> ▪ Poor transparency regarding job requirements and career progression ▪ Inconsistent approach to pay decisions for new hires, promotions and annual increases ▪ Uncertainty about appropriate pay differentiation, particularly for similar roles with comparable skills 	<ul style="list-style-type: none"> ▪ Create job descriptions for each job family with career matrices defining progression at each job level— both with the job family and laterally across job families or functions ▪ Benchmark market pay for each job and aggregate for similar job families at the same job level into functional pay ranges 	<ul style="list-style-type: none"> ▪ Clear communication of job requirements, promotional opportunities and development requirements ▪ Structure that provides guidelines to ensure equal pay for equal or substantially similar work ▪ Consistent, unbiased and market-oriented compensation decisions to attract and retain talent

The business challenges outlined in Figure 1 are even more prominent in the high-growth technology and life sciences sectors, where companies live and die based on their ability to innovate. In light of this dynamic, over the past several years, we’ve seen a steady shift away from highly regimented job leveling models.

Increasingly, human resources and talent leaders want job leveling tools that have enough built-in flexibility to handle cultural differences, local and regional regulations, diverse business needs and changing talent requirements. A recent survey by our consulting practice found that 20% of responding companies reevaluated or redesigned their job leveling architecture in the preceding 12 months, and another 30% of respondents said they were prioritizing updates in the year ahead. At Radford, our global leveling approach, which is integrated into the global architecture of our surveys, meets these requirements.

Incorporating Salary Structures into Global Leveling Systems

Large, global enterprises need a job leveling structure that not only provides flexibility for the unique circumstances of different countries and regions (as explained in more detail in this article) but is also compatible between different markets. The same is true for using job leveling structures as a starting point to create salary structures. Figure 2 illustrates how a globally consistent job architecture system, based on career levels, can be aligned to sample global salary range midpoints. Remember, salary ranges can be specific to every geographic region where you operate, and they can also be broadly attached to job function or more refined around specific job families. Even when companies align all of their salary ranges to a single global leveling system, they retain the flexibility to more or less granular in setting specific pay ranges.

Figure 2

How Global Job Leveling System Applies to Diverse Salary Ranges Across Countries

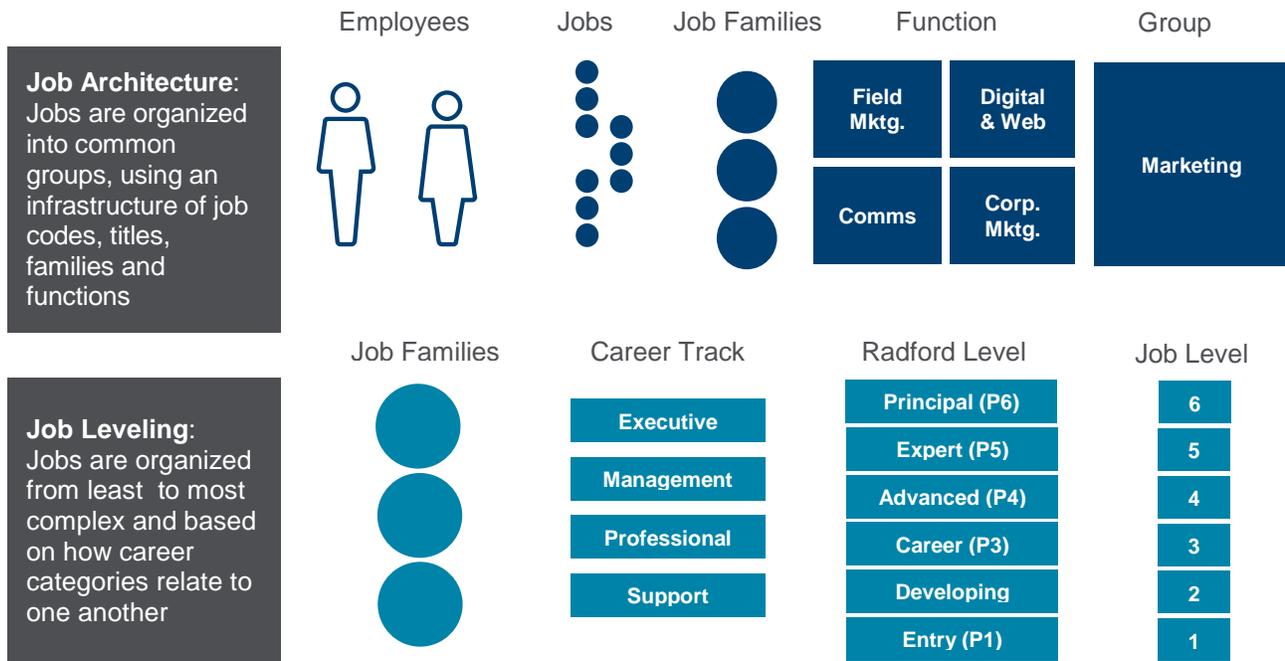
Global Leveling System				United States			Japan		
Global Grade	Mgmt.	Prof.	Support	Prod Dev. Engineer	Business Functions	Manuf. Ops	Prod Dev. Engineer	Business Functions	Manuf. Ops
11	Sr. Director			185,000	180,000	175,000	17,370,000	17,850,000	16,890,000
10	Director	Principal		155,000	145,000	136,000	13,850,000	14,800,000	12,990,000
9	Sr. Manager	Expert		135,000	125,000	116,000	11,250,000	12,150,000	10,440,000
8	Manager	Advanced		110,000	105,000	100,000	9,120,000	9,550,000	8,690,000
7	Supervisor	Career		94,000	80,000	69,000	7,300,000	7,400,000	5,360,000
6	Supervisor	Developing	Specialist	79,000	65,000	53,000	5,060,000	6,150,000	4,130,000
5		Entry	Skilled	63,000	55,000	49,000	4,370,000	5,000,000	3,810,000
4			Intermediate	54,000	46,000	39,000	3,830,000	4,500,000	3,250,000
3			Entry	45,000	36,000	29,000	2,920,000	3,650,000	2,350,000
2				35,000	29,000	24,000	2,690,000	3,250,000	2,230,000

In our illustrative example above, engineering is shown to be the highest paid function in the United States. However, in Japan, business function roles at the same grade as engineers and product developers are generally higher paid. Having business functions fit into the same job grades across markets provides consistency but it doesn't prohibit companies from putting business functions into different salary ranges for different markets.

The Radford Approach

Our approach to job leveling includes creating a structure that has articulated career paths for various job families that can support a global organization. However, this system is underpinned by job architecture, which is a method of organizing jobs into job codes, job titles and functional areas, all before assigning a grade level. Figure 3 shows the relationship between job leveling and job architecture— both of which are critical to creating a solid foundation for career path mobility and highly effective salary structures.

Figure 3
Job Architecture vs. Job Leveling



It's important to remember that job leveling systems are helpful for many types of companies— from publicly-traded multinationals to smaller, private companies seeking a flexible foundation upon which to grow. Embedding a common language for job leveling and career mapping into the culture of a company at an early stage can have long-lasting benefits.

Finally, it's imperative that any approach to job leveling include enough elasticity in the system so that it can be tailored to meet the demands of different companies and different markets. In the next section of this paper, we describe how Radford's approach can be customized for companies operating in Asia, Europe and the United States.

Applications in Asia

The dynamic business environment across Asia produces a high degree of regional differentiation, which makes tailoring job leveling to the unique needs of every market where you operate even more important. For example, China and India are beginning to show more prominent pay premiums for technical job roles, much like the US, while Japan and Korea seem to show a technical premium only at upper management levels, not at entry levels.

It's important to take these types of differences into consideration when developing global leveling structures. For example, we would recommend keeping technical and non-technical job roles separate for salary range development if you operate in multiple countries where premiums don't follow the same patterns.

Another nuance about the Asian market: companies operating in the region often prefer to include what we call "tweener grades" into their job leveling models. These grades are intermediate steps within a global career level that have their own specific base salary or fixed compensation ranges. This allows for more frequent performance reviews and pay adjustments. This type of approach is sometimes used in China and India where the jump in pay from one official job level to the next is steep, and the promotional velocity for lower-level employees is typically expected to be rapid.

Figure 4 illustrates how tweener grades can be developed specifically for Asia within the context of a larger global leveling system.

Figure 4
Sample “Tweener Grade” within a Global Job Leveling System

Global Grade	Radford Job Level	Lower End: 25 th Percentile	Midpoint: 50 th Percentile	Upper End: 75 th Percentile	Midpoint to Midpoint	Range Spread
10	P6 – Principal	4,050,000	5,400,000	6,750,000	50%	67%
9	P5 - Expert	2,700,000	3,600,000	4,500,000	50%	67%
8	P4 – Advanced	1,800,000	2,400,000	3,000,000	41%	67%
7	P3 – Career	1,275,000	1,700,000	2,125,000	31%	67%
6	P2 – Developing	975,000	1,300,000	1,625,000	86%	67%
5	P1 – Entry	420,000	700,000	980,000	N/A	133%
6a	P2 - Developing	1,300,000	1,462,500	1,625,000	30%	25%
6b		975,000	1,121,250	1,300,000	N/A	33%

In Figure 4, Grade 6 is subdivided into two tweener grades, 6a and 6b, in order to accommodate more frequent performance assessments. The overall fixed compensation range remains the same; however, additional pay ranges now exist within this span.

We also need to be aware of markets where management talent may be paid a premium over what we typically view as comparable individual contributor positions in a dual career ladder global structure. Where this is a factor, separate market-based pay ranges can be created for management and individual contributor positions that still remain in the same global grade for purposes of internal pay equity and global consistency.

Applications in Europe

Analytical forms of job evaluation, such as the point-factor approach, continue to dominate the landscape in many European countries due to the regulatory environment, which requires pay equity compliance in collective labor agreements. However, European companies as a whole are starting to consider different approaches that facilitate more dynamic organizational design with the capacity to adapt pay and talent practices to more readily respond to today's so-called VUCA (Volatile, Uncertain, Complex, Ambiguous) market demands.

However, driving this type of change has hurdles, and HR leaders need to be aware of the many steps that might be involved in migrating to a globally consistent leveling structure. Some European countries, such as Germany and Austria, have a strongly regulated labor force. In Germany, there is a strong level of influence from employee representatives (often in the form of "Works Councils"), which require a proportion of the seats of the supervisory board to represent the workforce. If a company wants to implement a new grading or leveling approach, the Works Council must approve the changes and be involved in the decision-making process. While the representative body doesn't have legal authority over determining the size of salaries, it does have a voice in the overarching approach that underpins compensation decisions.

Insights from recent client engagements suggest a shift in thinking is underway among both management and employee leaders across Europe with regards to the type of job leveling framework that can provide the essential backbone or common operating language to support the implementation of more agile and dynamic people processes. With career development and perceptions of fairness frequently ranked at the top of employee engagement goals for both employees and companies, the most effective job leveling models need to embed an organization's desired culture and evolve beyond simply serving as defensible frameworks for pay equity.

Applications in the United States

Dual career ladders, where managers and individual contributors progress up the ranks in similar organizational levels, are much more common at technology and life sciences companies in the US. Employees who have technical or scientific skills are no longer required, or even encouraged, to pursue management roles in an attempt to further their careers if that's not their desired career path or they lack managerial skills. Companies have recognized the value of keeping experts focused on what they do best.

Radford's global leveling approach recognizes this organizational reality by aligning job levels with both the internal value companies place on individual contributor positions relative to managerial positions, as well as the value the market places on each type of job. The system combines individual contributors and managers into global grades where market pay suggests equivalence. Figure 5 is an example of how different job families are graded and grouped into two tracks, one for management and one for individual contributors.

Figure 5

Sample Career Ladders within a Global Job Leveling System

Business Leadership	Executive	Management	7	Vice President	Professional	6	Principal		
	Grade 11		6	Sr. Director					
	Grade 10		5	Director					
Management and Professional	Grade 9		4	Sr. Manager				5	Expert
	Grade 8		3	Manager				4	Advanced
	Grade 7		2	Sr. Supervisor				3	Career
	Grade 6		1	Supervisor				2	Developing
Entry Level and Support	Grade 5			1	Entry	4	Highly Skilled		
	Grade 4					3	Senior		
	Grade 3					2	Intermediate		
	Grade 2					1	Entry		

An increasing number of companies in the US are also using global leveling systems as a way to determine eligibility for all types of rewards programs, not just for setting base salary levels. Global levels can be used to determine a position's eligibility for short- or long-term incentives, bonus targets and equity grant guidelines. While regional differences in pay levels exist, the global leveling system enables a company to be consistent in its determination of program eligibility by considering the internal equity of the positions in a given grade and then letting market practices dictate actual compensation levels.

Next Steps

Around the world, more companies are taking a critical review of their job architecture and leveling approach to ensure the core elements of these systems support employee mobility, career development, enterprise-wide system implementations, transparency and accountability. When designed correctly, job leveling greatly simplifies how global workforces are organized and managed by introducing a common grading language across all employees and functions, while still differentiating for performance and specific market realities. Job leveling also creates an infrastructure that is easier to maintain as a company continues to grow its workforce and geographic reach— which is particularly important in the active M&A environment.

Most companies that turn to job leveling find the approach to be more transparent, fairer and easier to communicate to employees. In an era where many companies are concerned with and actively root out pay inequities, as well as the deeper structural issues that can sometimes lead to them, job leveling is a system that can support this important effort.

Radford's global sales, technology and life sciences surveys provide companies the basis for creating job architecture that provides a framework upon which job leveling systems are built. And our consulting teams, with offices worldwide, understand the nuances of each market a company might operate in and have the experience and knowledge necessary to customize approaches for the particular location and circumstances of each client.

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To learn more about participating in a Radford survey, please [contact our team](#). To speak with a member of our consulting group about building job leveling and salary structure systems, write to consulting@radford.com.

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About Radford

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