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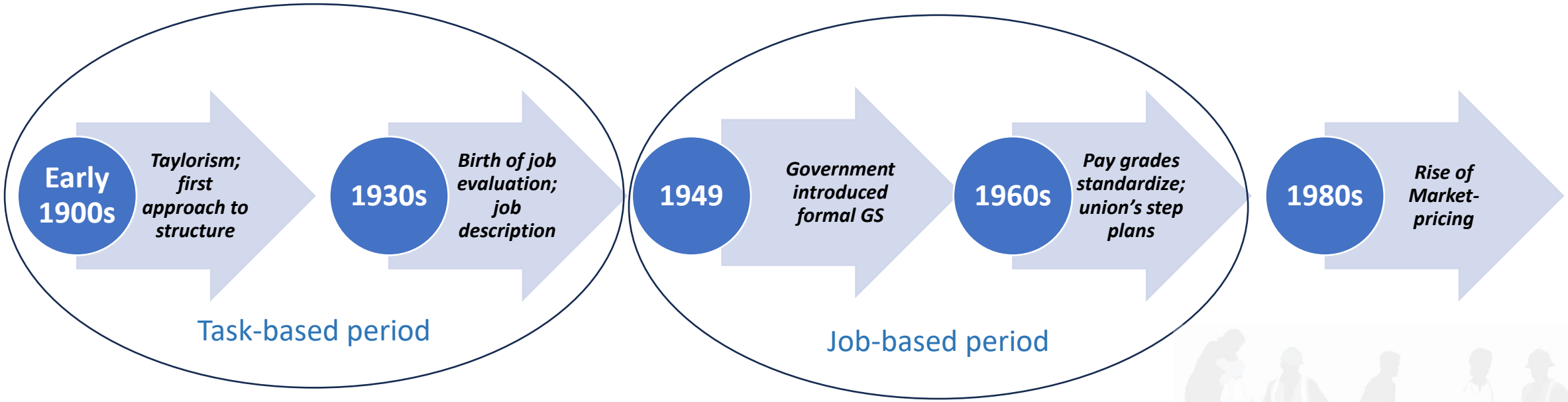
Hidden in Plain Sight:
How Pay Structures Quietly Shape Your Workforce

Igor Shegolev, SPHR

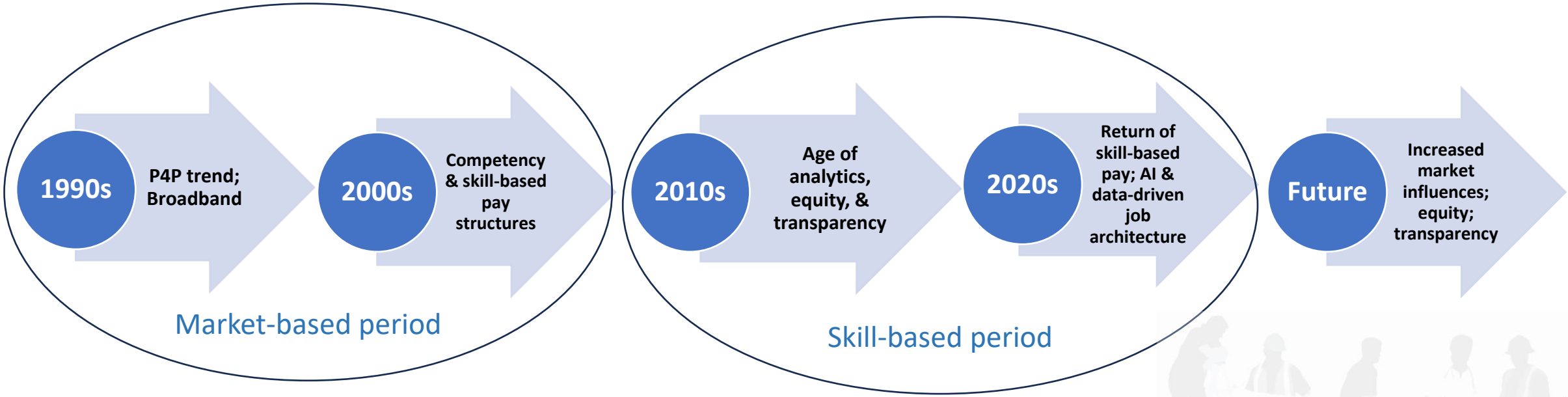
Objectives

- Examine how U.S pay structures evolved over time
- Understand the purpose and importance of pay structures
- Examine types, components, and parameters
- Learn how to build pay structure for your organization

Historic Timeline



Historic Timeline



Key Maxims Influencing Structure Design

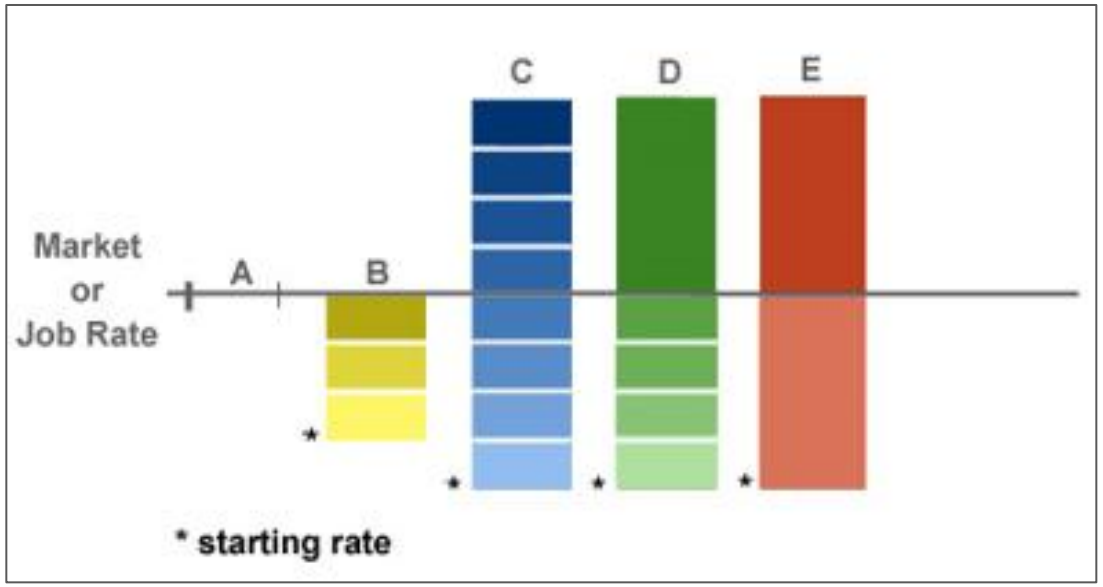
- 🧩 Diverse job families require diverse pay structures
- 🌐 Market forces increasingly shape pay structures
- 📈 Market adjustments outpace general wage increases
- 🔧 Blue-collar pay structures present greater complexity
- 🎓 Universities struggle to keep pace with rapid role creation

How Structural Approach Shapes Your Business?

A pay structure transforms compensation from subjective guesswork into a strategic, equitable, and data-driven system that supports fairness, retention, compliance, and long-term organizational stability

Systematic framework	External competitiveness	Retention & career growth	Compliance	Cost control	Trust
• Systematic and consistent methods for setting pay across jobs	• Competitive alignment using market-driven pay ranges and labor-market dynamics	• Career Progression defining clear career paths and growth opportunities	• Compliance supported by documentation, structure, and policy	• Labor costs control through salary planning, budget predictability, and wage forecasts	• Trust and transparency by clear communication on salary practices

Pay Structure Types

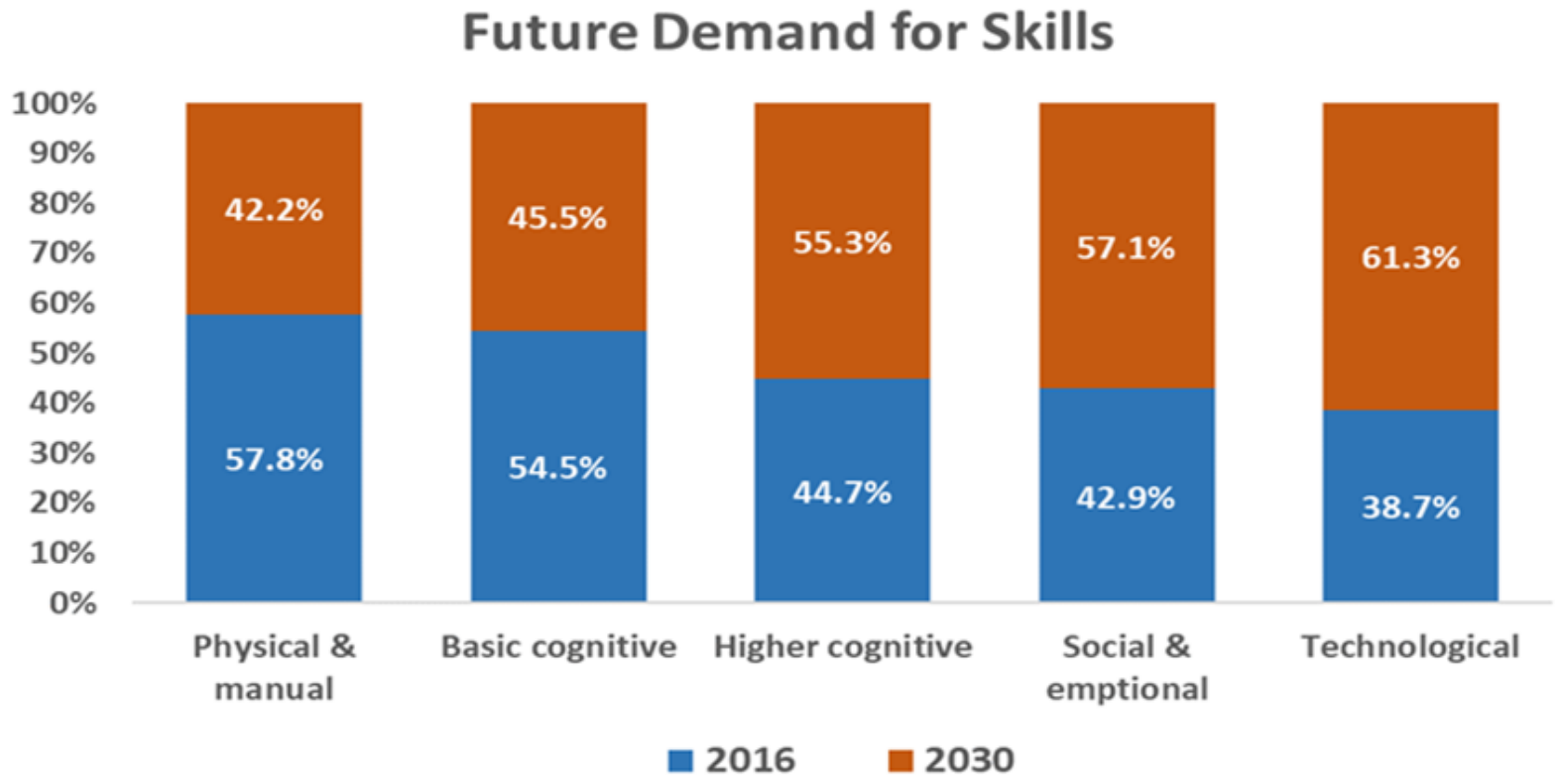


- A – single-rate
- B – narrow step (market rate is a top step)
- C – wide step (market rate is a median)
- D – mixed step and open-range)
- E – open-range

SOURCE: Economic Research Institute

Demands for Skills Will Drive Structures

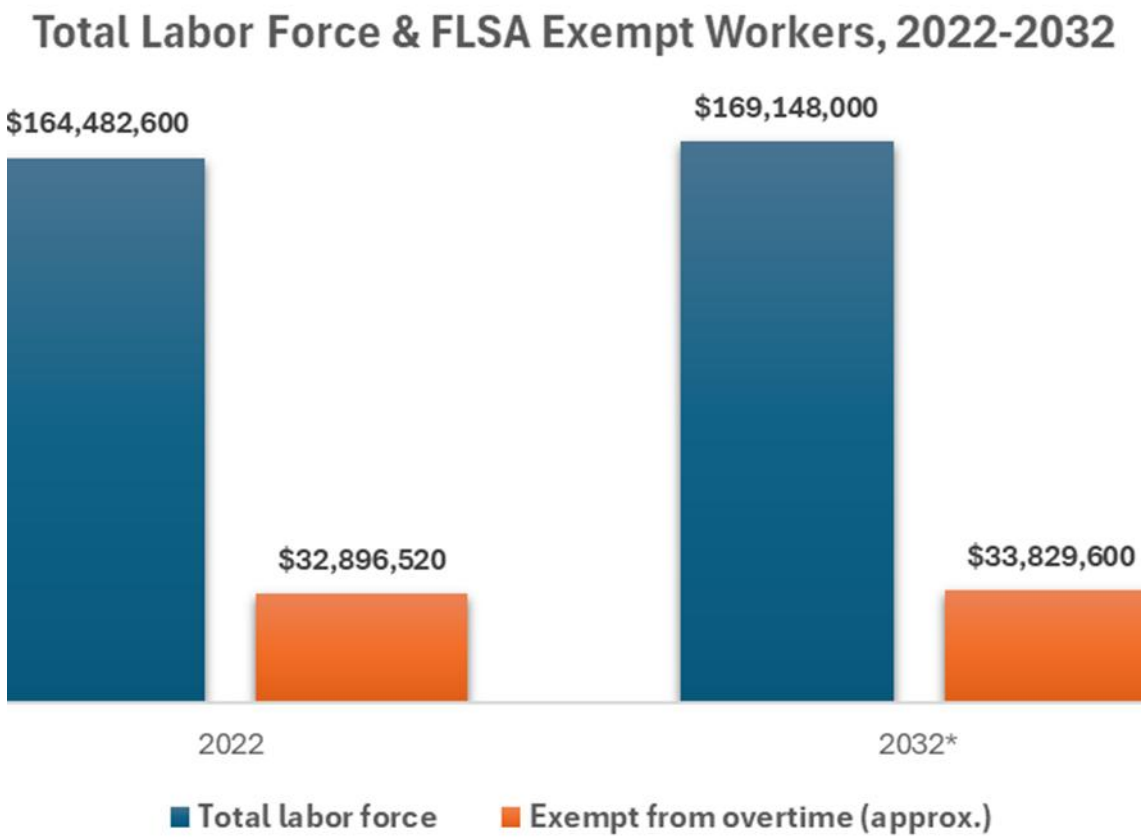
- Demand for higher cognitive and social & emotional skills (initiative, entrepreneurship, leadership, creativity) will continue rising
- Job design and job evaluations must reflect that



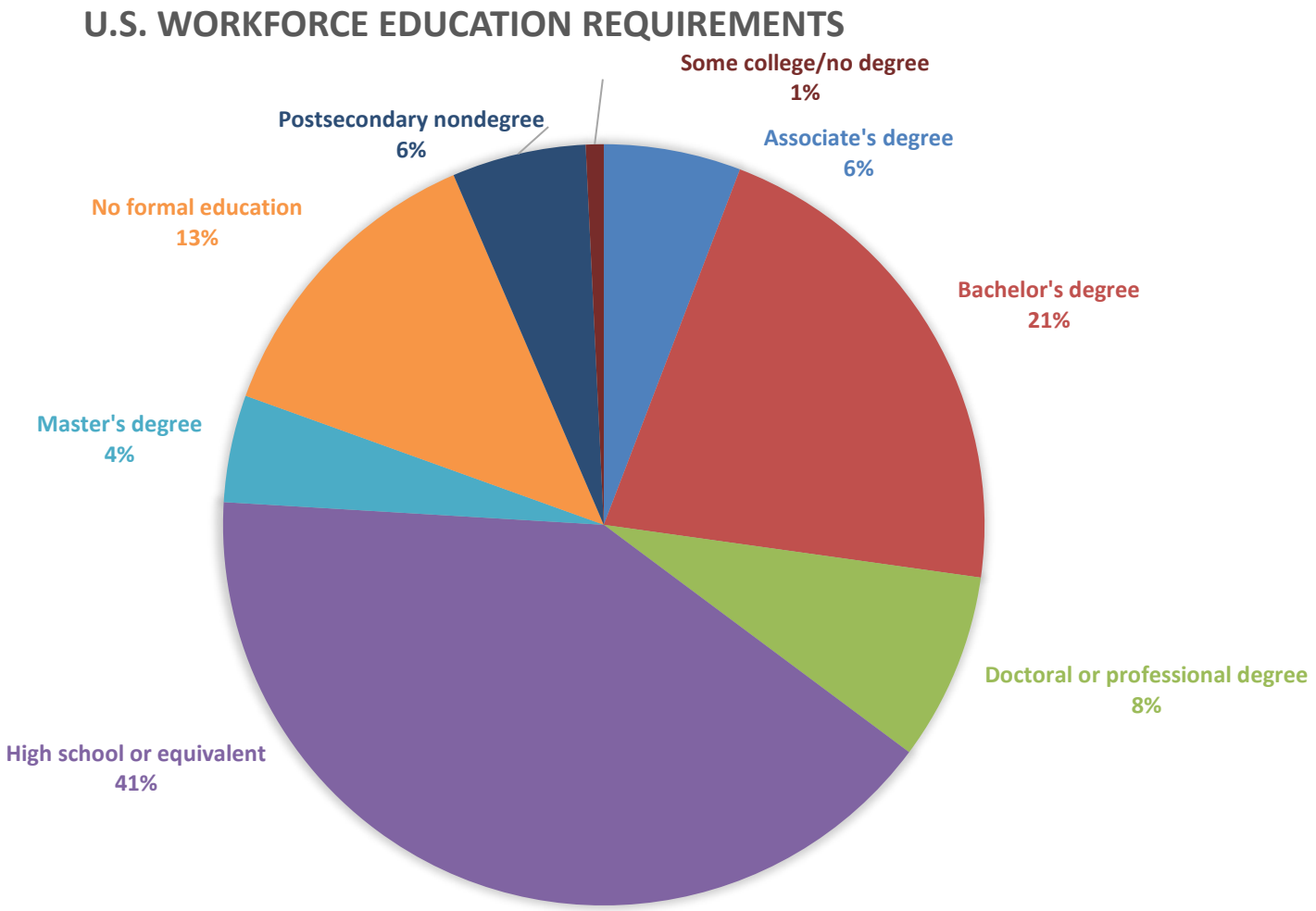
SOURCE: McKinsey & Company

U.S. Labor Force

- The U.S. labor force is expected to grow
- BLS estimates it will be close to 170 million by 2032
- 25 million government jobs (including 2.9m federal govt)
- It estimates 18.5 million job openings annually
- Requirements for high cognitive, technological, social, and emotional skills will grow from 40% to 60%
- Retaining skilled labor will continue be a challenge
- What should organizations do to maintain qualified employment?



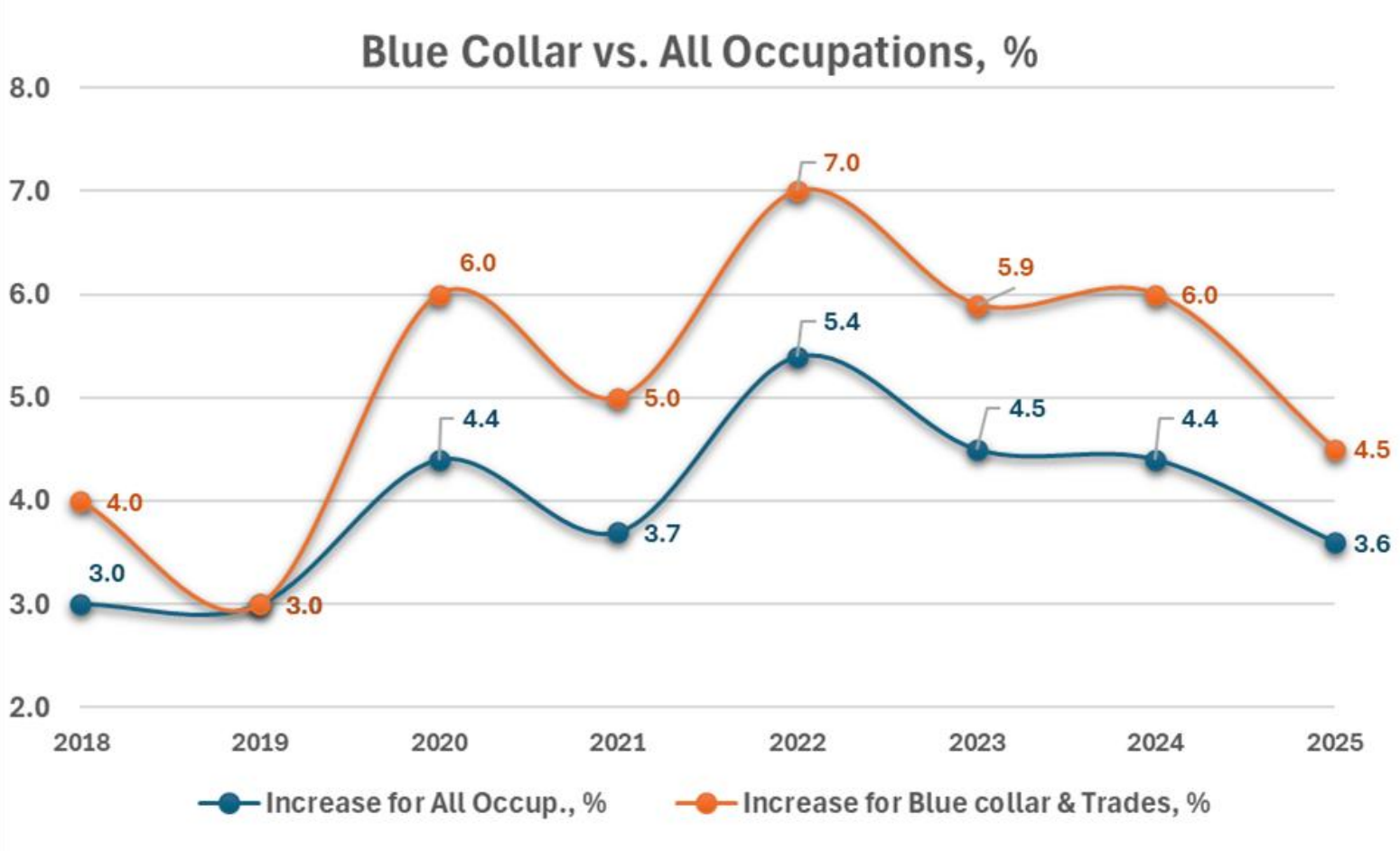
Knowledge-Based Workforce



SOURCE: U.S. Department of Labor

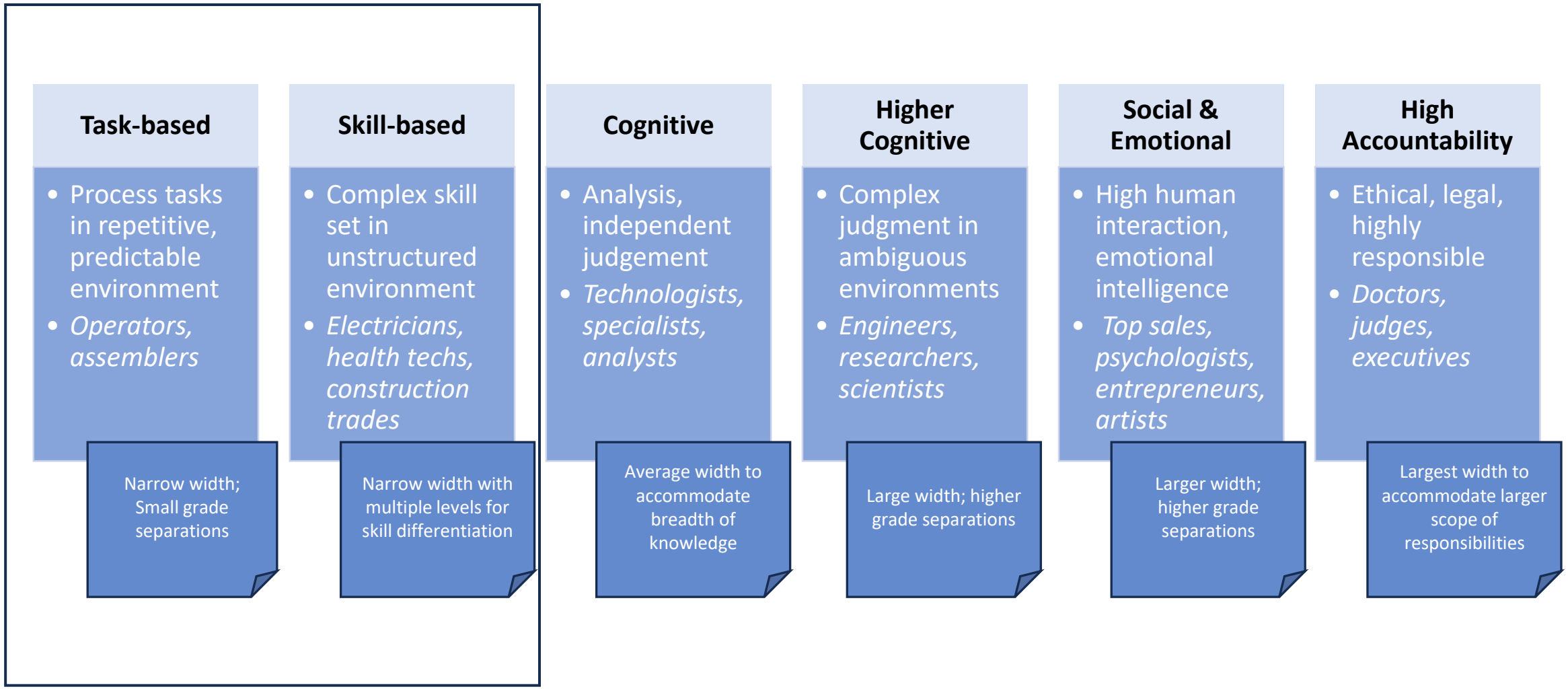
Labor Trends Drive Structural Changes

- Width vary by industry, sector, and job content
- Trades vs. professionals
- Supervisor vs. subordinate
- Creativity vs. process
- Decisions vs. well-defined tasks



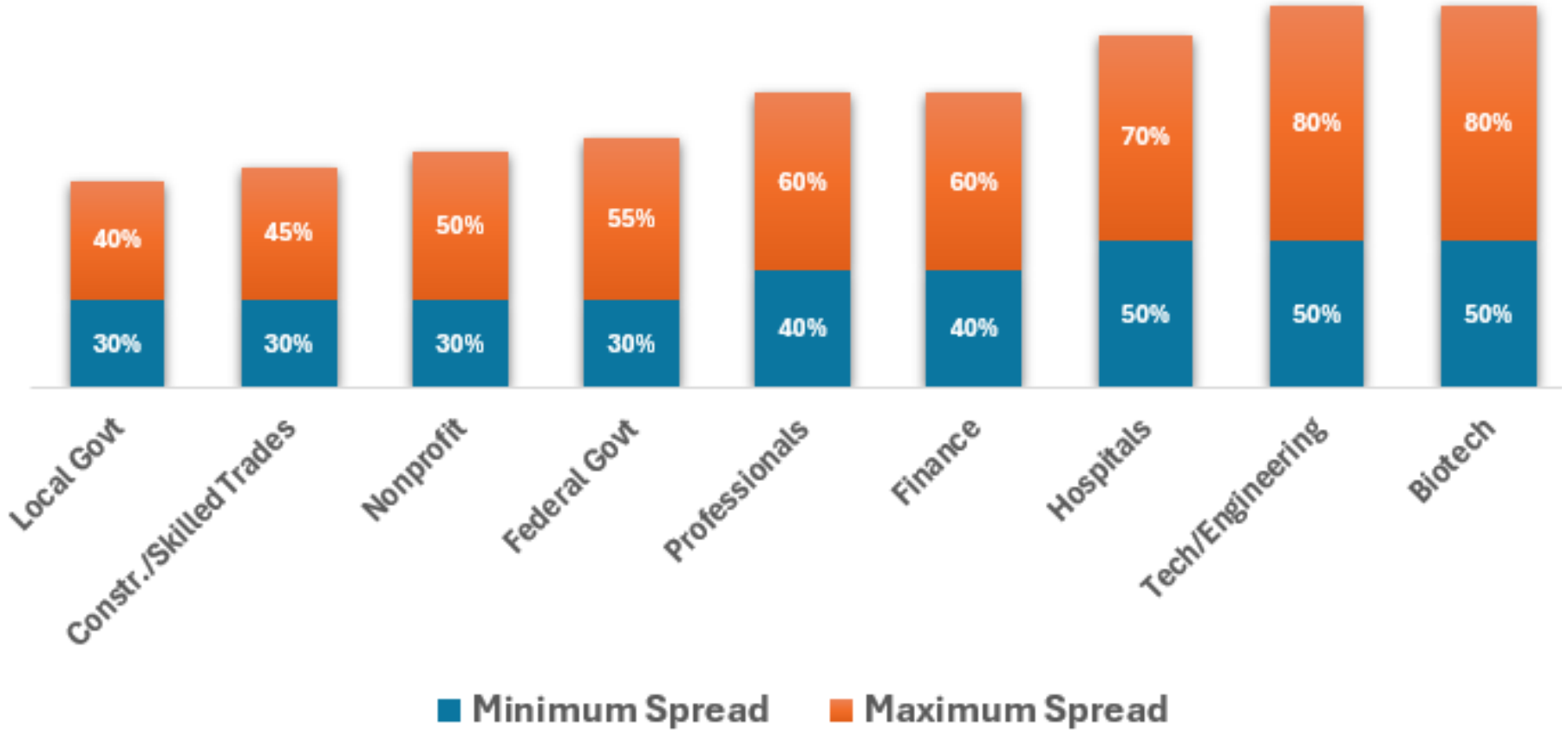
SOURCE: BEA, BLS, HR Know

Which Structure Fits Your Organization?



Pay Range Spread (width) by Sector/Industry

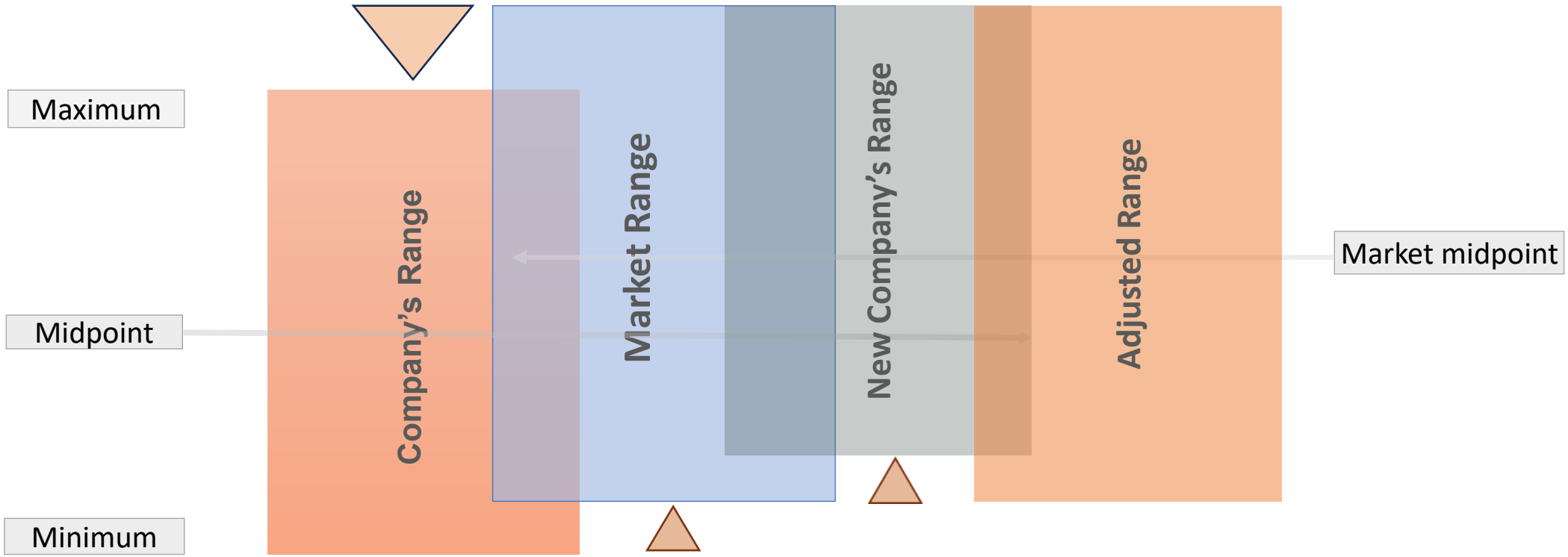
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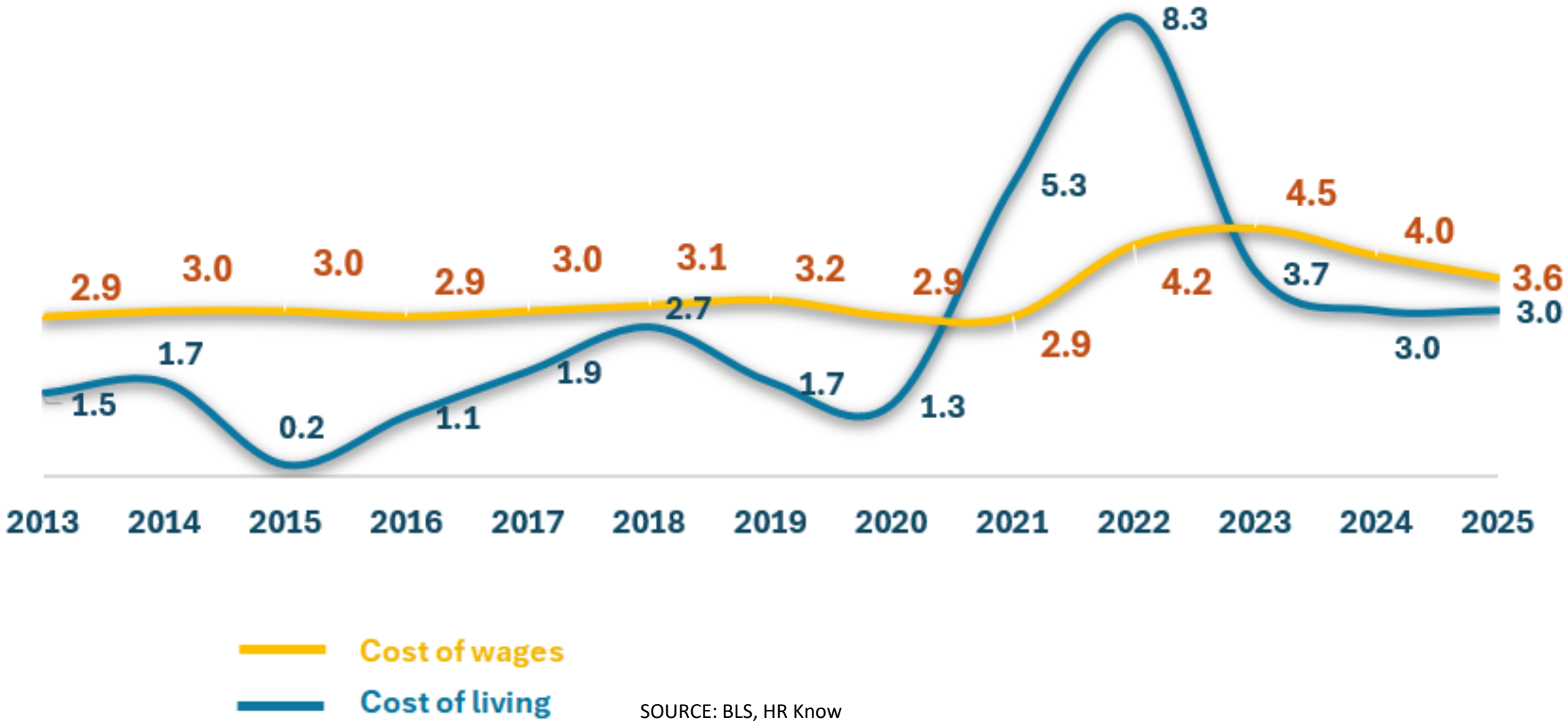
SOURCE: BLS, HR Know

Market Alignment of Job Ranges: Building Blocks

(Bandwidth, midpoint separation, grade overlap)



Wages Move – Salary Structures Follow



SOURCE: BLS, HR Know

Pay Structure Movement



- Pay structure moves with ECI
- Though at a lower rate that ECI and CPI
- Ratio: 1 X 0.5 or 1 X 0.7
- Lower growth rate allows real wages to grow
- Real Wages of low-wage jobs grew 19% since 2015
- Against average real wages growth of 11% since 2015

SOURCE: WorldatWork, BLS, HR Know

Step vs. Open Range

Step System	Open Range Structure
• Steps are fixed, inflexible • Builds with time intervals • Difficult to control labor costs • Annual movement through grades may create entitlement • Distance between steps expressed by fixed percentage • Wage inflations are imbedded into the system	• Grade range is open, flexible • Based on budget availability • Labor costs are easy to control • Annual movement through open range is based on selected criteria • Increases may vary by merit or market • Wage inflations are administered as needed

Labor Trends Drive Structural Changes

"Technical Operations Technician" job family — could be adapted to Public Works, Water Ops, Facilities, etc.

Skill Block	Level 1	Level 2	Level 3	Level 4
	$20.00-$24.00	$23.50-$28.50	$27.50-$33.00	$31.00-$38.00
Safety & Compliance	✓	✓	✓	✓
Equipment Operation	✓	✓	✓	✓
Diagnostics		✓	✓	✓
Documentation		✓	✓	✓
Advanced Systems / SCADA			✓	✓
Process Improvement				✓
Lead Duties				✓

Open Range Structure-Sample

Pay Grade	Minimum	Midpoint	Maximum	Grade Width	Grade Separation from Minimums	Overlap
1	$16.00	$19.20	$22.40	40.0%	5.0%	
2	$16.80	$20.16	$23.52	40.0%	5.0%	87.5%
3	$17.64	$21.17	$24.70	40.0%	5.0%	87.5%
4	$18.52	$22.23	$25.93	40.0%	5.0%	87.5%
5	$19.45	$23.34	$27.23	40.0%	5.0%	87.5%
6	$20.42	$24.50	$28.59	40.0%	5.0%	87.5%
7	$21.44	$25.73	$30.02	40.0%	5.0%	87.5%
8	$22.51	$27.02	$31.52	40.0%	5.0%	87.5%
9	$23.64	$28.37	$33.10	40.0%	5.0%	87.5%
10	$24.82	$29.79	$34.75	40.0%	5.0%	87.5%
11	$26.06	$31.27	$36.49	40.0%	5.0%	87.5%
12	$27.37	$32.84	$38.31	40.0%	5.0%	87.5%
13	$28.73	$34.48	$40.23	40.0%	5.0%	87.5%
14	$30.17	$36.20	$42.24	40.0%	5.0%	87.5%
15	$31.68	$38.01	$44.35	40.0%	5.0%	87.5%
16	$33.26	$39.92	$46.57	40.0%	5.0%	87.5%
17	$34.93	$41.91	$48.90	40.0%	5.0%	87.5%
18	$36.67	$44.01	$51.34	40.0%	5.0%	87.5%
19	$38.51	$46.21	$53.91	40.0%	5.0%	87.5%
20	$40.43	$48.52	$56.60	40.0%	5.0%	87.5%
21	$42.45	$50.94	$59.43	40.0%	5.0%	87.5%
22	$44.58	$53.49	$62.41	40.0%	5.0%	87.5%
23	$46.80	$56.17	$65.53	40.0%	5.0%	87.5%
24	$49.14	$58.97	$68.80	40.0%	5.0%	87.5%
25	$51.60	$61.92	$72.24	40.0%	5.0%	87.5%
26	$54.18	$65.02	$75.85	40.0%	5.0%	87.5%



QUESTIONS?

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