

Why Some Technology Companies in Asia are Breaking Up Their Salary Broadbands

Creating broad salary bands is a common practice throughout much of Asia, but more technology firms are now developing narrower salary ranges for in-demand job functions.

In Silicon Valley and many other key innovation hubs across the United States (US) it is a nearly ubiquitous practice for technology companies to have separate salary bands for technical talent, including higher salary range midpoints and more aggressive long-term incentive grant guidelines. This model stands in contrast to much of Asia, where broad salary bands covering all job functions, both technical and non-technical roles, are common. However, practices in Asia are now evolving quickly.

As the technology sector grows in Asia, technical labor supply is tightening for key hot jobs, especially in the areas of cloud development, data science, machine learning and artificial intelligence. Additionally, as leading technology companies in Asia mature and globalize, they are looking for ways to bring greater consistency to their pay practices as more and more talent moves between Asia and the US. In the end, these forces all demand greater pay differentiation across job functions, particularly in China and India where multinationals operate and talent markets move fast.

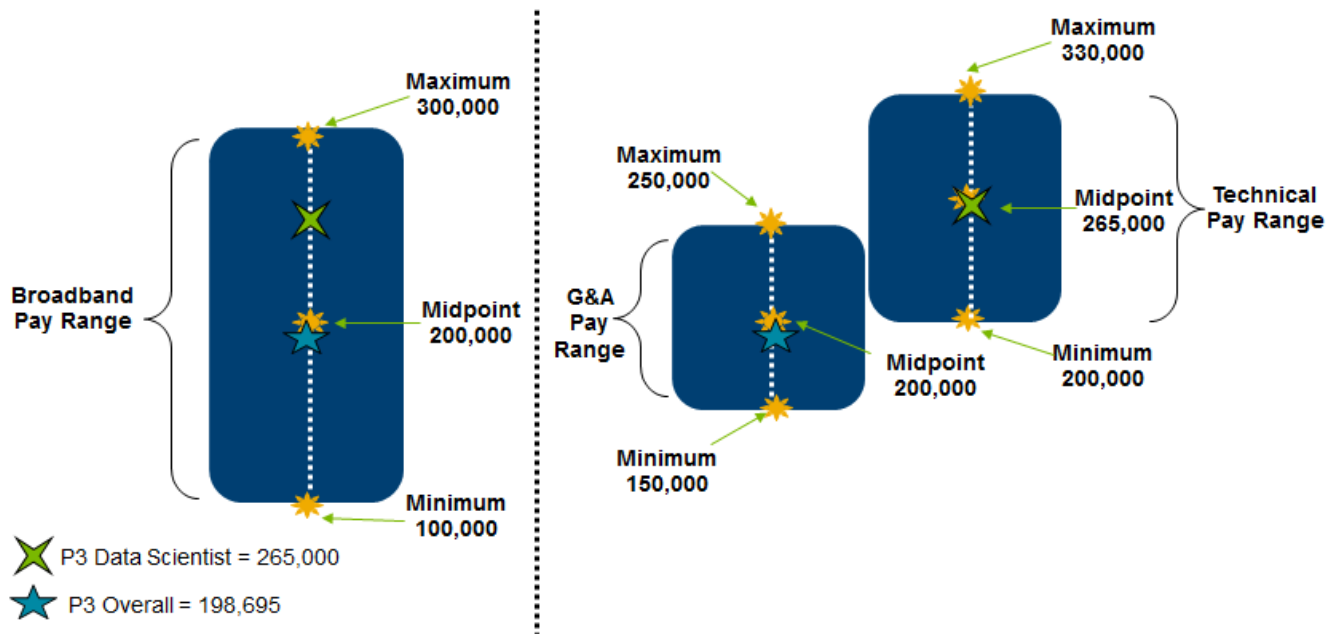
What is Broadbanding, and Where Are Companies Headed?

Broadbanding is the practice of using wide salary bands to manage pay for all functions and jobs at a given level. While US functional structures typically have a 40% to 60% spread between their lowest and highest salary points, salary bands in Asia can often have a spread of 100% from top to bottom. Broadbanding is a well-liked practice because it's easier to implement and maintain, and historically, there wasn't as much market pressure on companies in Asia to be more targeted in their pay positioning across job functions. Plus, in the absence of in-depth local market data, broadbands are usually a safer route to pursue.

Companies in Asia choosing to break up their salary broadbands aren't dismantling them completely. Instead, they often create tailored, narrower pay ranges for relevant job functions so the salary midpoints can follow accelerated pay trends in the market. Figure 1 demonstrates an example of a broadband range and how it can be broken up into more targeted ranges for technical and non-technical roles. In this example, we are using illustrative pay levels for a mid-level individual contributor data scientist in China.

Figure 1

Broadbands vs. Narrow Salary Ranges for Technical Jobs



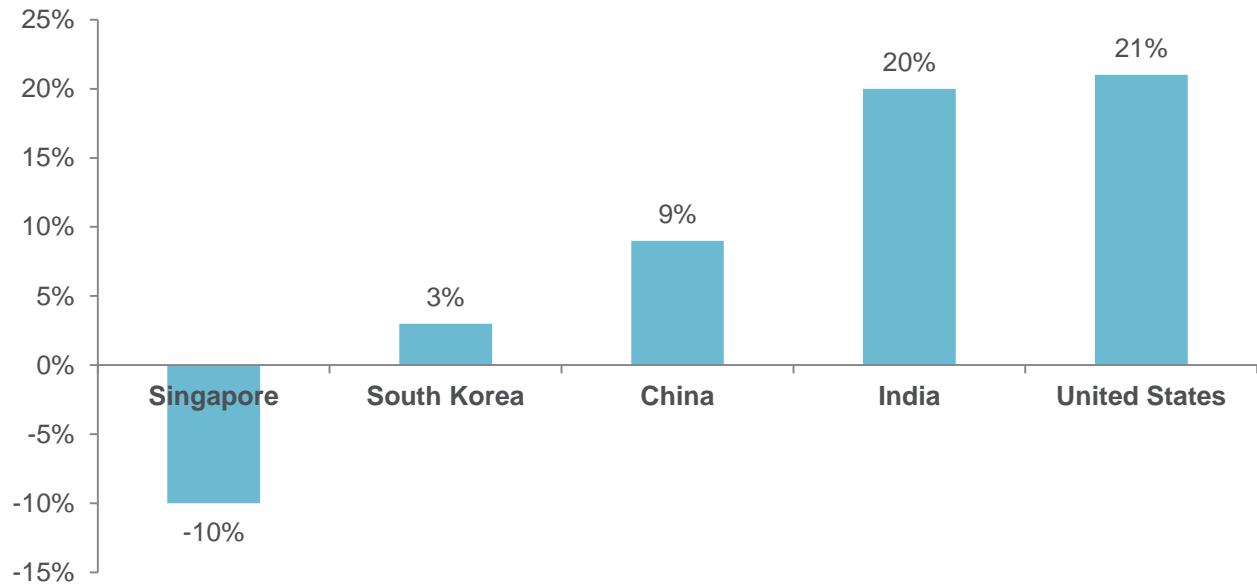
In our example, the median pay for a mid-level individual contributor data scientist in China is CNY \$265,000, while the median pay for all non-technical individual contributor level 3 jobs is CNY \$198,695. Whenever mid-points for certain job functions are more than 15% apart, we typically recommend breaking them up into two salary ranges.

It's important to note that broadbanding continues to be a popular practice in some developed Asian economies, including Japan and South Korea, where there also happens to be less pay differentiation between job functions of the same level. In South Korea for example, there is less than a 10% pay differentiation between job functions at the professional job level, with the exception of legal jobs, which receive a whopping 45% premium. Similarly, legal jobs in Japan command the biggest pay premium at 20%. This general lack of differentiation arises from a couple factors, including the cultural prestige of legal jobs compared to all other functions and the prevalence of cross-functional transfers for high-potential talent, which emphasizes talent mobility and job enrichment over specific technical expertise.

Figure 2 below displays the variance between median salaries for technical vs. non-technical individual contributor jobs at combined Radford job levels 1, 2 and 3 in select countries. As you can see, variances of +/- 15% do not appear in every market, but at the same time, India is very close to the US, suggesting that it's time to consider more nuanced approaches to pay management. However, this is also a highly aggregated view of the market. Digging deeper into specific job functions, job levels and region- or city-level trends will reveal a number of areas where variances of +/- 15% already exist in the market.

Figure 2

Difference in Median Salaries for Product Development Jobs vs. All Non-Technical Jobs Across Key Markets (Professional Levels 1-3)



Source: Radford Global Technology Survey

Importantly, the desire to differentiate pay for various functions need not be market driven. We recently worked with a technology company in Indonesia to develop separate pay ranges for business functions, engineering jobs and critical corporate functions (e.g., legal, tax, etc.). While pay differentiation across functions is minimal in Indonesia, our client wanted to prioritize product development. To do that, they developed a top-of-market pay philosophy for engineering while adopting a lower target pay philosophy for their operations roles. In doing so, they were able to achieve their core goals around innovation without driving up overall company costs.

In China, we see significant pay differences for technical specialists, particularly at lower employee levels. Even though average premiums across all levels for product development jobs only average 5% more than all other jobs combined, employees at the entry and developing levels for product development receive a 40% to 60% premium. Technology companies that want to compete for talent, particularly recent graduates attracted to large Internet/e-commerce companies in China, may need to re-think their broadbanding approach. While range spreads could be widened to accommodate pay, an undisciplined recruiting team or inexperienced managers might take advantage of a broader range for less critical roles as well. Narrow function-specific pay ranges provide guardrails around non-technical pay levels. They also allow business leaders to interpret mid-ranges by department as a true depiction of market competitiveness and the target pay position.

Next Steps

Multinational companies in Asia need to be aware that practices on setting salary ranges can vary widely by country and by job function given the unique demand for certain jobs within each market. HR and compensation

professionals need to research the competitiveness of certain skills and job functions when entering a new market (and maintain current research on the issue) to ensure they are maintaining competitive but also sustainable and scalable salary ranges.

If a job function is within 15% of the mid-points in the broadband for the job level, it can usually be accommodated by the wider salary band. It's worth considering more narrow ranges for jobs that have wider variations in pay. However, there are a couple of questions you need to answer when thinking about breaking up your broadband, such as:

- If you break up the broadband for a broad functional role, how will you define the jobs that fit within that definition? Sometimes a technical role will be housed within a non-technical function. For example, some companies have UI/UX designers with the product development team while similar jobs may be within the marketing department.
- How many employees should I have in a certain function before it makes sense to create a separate salary range? For example, if legal jobs command a 20% premium to your level 3 broadband, but you only have 10 attorneys in your legal department, is it worth it to create and maintain a separate salary range?

To speak with a member of our consulting group about developing salary ranges or other employee rewards issues, please write to consulting@radford.com. To learn more about participating in a Radford survey, please [contact our team](#).

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