

Raising the minimum wage causes wage compression

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Broadbanding is a system of human resource management to administer the functions of employees of different departments under a particular appraisal system in order to facilitate the easy formulation of payrolls. The salary ranges are consolidated into fewer pay ranges with a higher difference between two adjacent levels of payment in this system with an intention to avoid overlap of payment ranges (p. 435). This system of personnel management is beneficial to the organization as there are lots of chances of payment hikes without offers of promotion whereby expertise of the employee grows with his experience in the same field. Broadbanding may be considered to be on a competency-based pay system. It alters the regular narrow salary ranges at different levels to extremely wide salary ranges for the most desirable employee. This system allows employees to choose a work of their interest and proficiency irrespective of the departments to which they are employed. Payment through a broadband system ensures the participation of every employee in the accomplishment of their skill set enhancement.

Under the system of competency-based compensation, the skill set required by the employees of different fields is framed as a combination of works from various departments. While making a slab for payment at a broadband level, highly paid employees face a probable reduction in their pay because of the stipulation of their skill requirements to a specific span were less paid employees could also reach. The traditional way of payment guarantees experience based remuneration but in this system, the work is paid and not the employee. This ethic can damage the income of high wage groups in the long run. Low profile wage earners also have to face the difficulties in

regularizing their new income. They need to get more training and theoretical knowledge to work in differentiated conditions. When ranking and performance appraisal matter, low profile wage holders face difficulties in attaining their expected skill sets. Such encounters pull them down to much lower a level than they were already working. Thus a raise in pay based on the new strategy leaves pain to a majority of employees from both high wages and low wages groups in the organization.

The growth of the organization is guided by the skillful efforts of a smart CEO in all situations. For the work executives do they are paid a huge sum of money inclusive of salary, bonuses, profit share, and all possible company benefits. The stabilization of the profit volume of the company requires the regulation of executive compensation. It should be seen that the executives are paid on the basis of the success of the organization as a whole with due consideration for their role in the growth. In the recent past of economic instability and global recession, many companies across the developed countries cut short the pay of employees as well as executives. But many Asian companies like Wipro, Apollo Tyres, Sun TV, Ranbaxy, Reliance Industries, etc paid their executives in full irrespective of the profit volume in the market. However, it is difficult to find out whether the actual pay taken by the CEOs of those companies is proportionate to the companies growth because Asian companies were luckily exemption from the hard-hitting recession. But an organization that freezes the remuneration of employees and pays the executives highly cannot be considered ethically strong in the organizational sector.