

IBM Dual Ladders

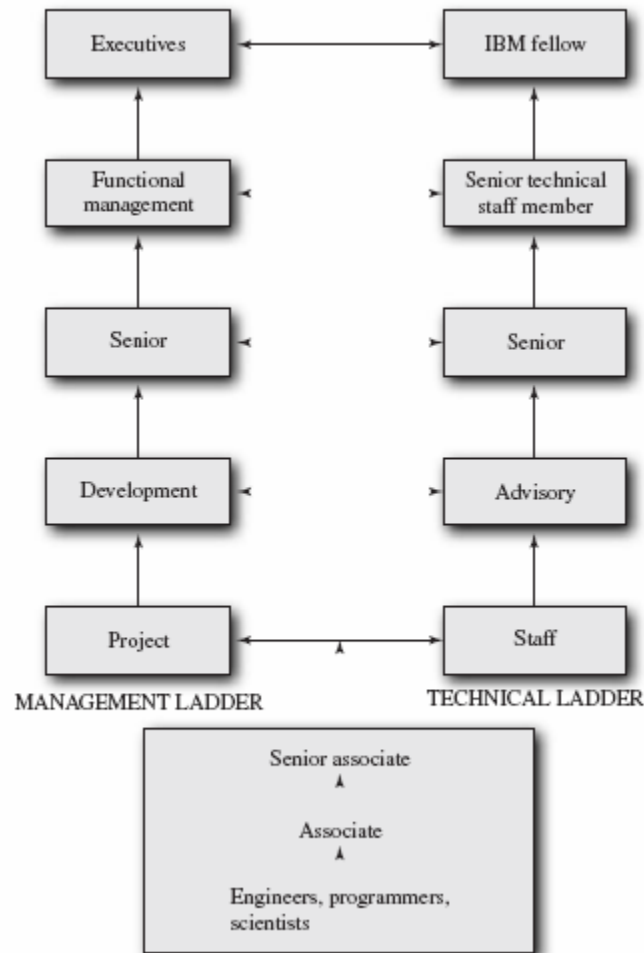
Scientists and engineers are classified as *professionals*. According to the Fair Labor Standards Act, this category includes any person who has received special training of a scientific or intellectual nature and whose job does not entail more than a 20 percent time allocation for lower-level duties.

The compensation of scientists and engineers focuses on rewarding them for their special scientific or intellectual training. Here lies one of the special compensation problems that scientists and engineers face. Consider the freshly minted electrical engineer who graduates with all the latest knowledge in the field. For the first few years after graduation this knowledge is a valuable resource on engineering projects where new applications of the latest theories are a primary objective. Gradually, though, this engineer's knowledge starts to become obsolete, and team leaders begin to look to newer graduates for fresh ideas. If you track the salaries of engineers and scientists, you will see a close resemblance between pay increases and knowledge obsolescence. Early years bring larger-than-average increases (relative to employees in other occupations). After 10 years increases drop below average, and they become downright puny in 15 to 20 years.

Partly because salary plateaus arise, many scientists and engineers make career changes such as moving into management or temporarily leaving business to update their technical knowledge. In recent years some firms have tried to deal with the plateau effect and also accommodate the different career motivations of mature scientists and engineers.

The result has been the creation of dual-career tracks. Exhibit below shows a typical dual-career ladder used at IBM.

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Notice that dual ladders provide exactly that: two different ways of progressing in an organization, each reflecting different types of contributions to the organization's mission. The managerial ladder ascends through increasing responsibility for supervision or direction of people. The professional track ascends through increasing contributions of a professional nature that do not mainly entail the supervision of employees. Scientists and engineers have the opportunity at some stage in their careers to consider a management track or continue along the scientific track. Not only do dual tracks offer greater advancement opportunities for scientists and engineers, but maximum base pay in the technical track can approximate that of upper-management positions.

Reference: Milkovich–Newman. (2004). Compensation. The McGraw–Hill Companies