



How to Create Pay Scales

SB 1162 (effective January 1, 2023) requires all employers to provide a pay scale to any current employee for their current position, or applicant for the position they applied for, upon request. Employers with 15 or more employees (if they have at least one employee currently located in California) must also include the pay scale for a position in job postings.

“Pay scale” is defined as “***the salary or hourly wage range that the employer reasonably expects to pay for the position.***” The pay scale does not need to include bonuses, tips, or other benefits. However, if the position’s hourly or salary wage is based on a piece rate or commission, then the piece rate or commission range the employer reasonably expects to pay for the position must be included in the job posting.

It is recommended that employers create pay scale records to maintain consistency in the hiring process, and in handling pay scale requests from current employees.

Steps to Create Pay Scales

1. Make a list of all positions in your company.

The first step is to make a list of all positions in your company. Give thought to whether certain positions need to be distinguished based on full- or part-time status, exempt or non-exempt employees, onsite, hybrid, or remote status, etc.

Also consider whether you need additional distinctions and/or levels within a certain job category. For example, instead of just “Mechanic,” it may make more sense to create multiple positions based on job functions/seniority, such as “Mechanic I, Mechanic II, Mechanic III,” etc.

2. Make sure your job descriptions are accurate and correspond with the positions.

Next, you should ensure that your job descriptions are accurate and match up with your list of job positions. Job descriptions are critical in outlining duties, setting performance goals and expectations, determining non-exempt/exempt status, and establishing the essential functions of a position for reasonable accommodation requests. If you need to make a change to someone’s job title/position, be sure the change/effective date is documented in their personnel file. CEA members can use the Job Description wizard in [CEA University](#).

3. Review payroll records to determine the highest and lowest paid person in a position.

Now you are ready to determine the pay scale for each position. As discussed above, this is the salary or hourly wage range the employer **reasonably expects** to pay. As such, it is important that the pay scale covers *at least* the highest and lowest paid person at your company in a particular position. Review payroll records to confirm these data points. (Do not include bonuses, tips, etc.)

Of course, you should also ensure that for any non-exempt position, the pay scale starts at the applicable State or local minimum wage, or higher. For exempt positions, the pay scale should start at the exempt salary minimum or higher. For additional guidance on exempt classification requirements, CEA members may access our Exempt Analysis Worksheets under [HR Forms](#).

4. Determine if your range extends beyond the lowest/highest paid person in a position.

The pay scale may extend beyond the highest and lowest paid person in a position at your company. Consider whether factors such as experience, seniority, educational degrees, etc. should expand your pay scale in either direction.

5. Consider whether you should conduct a compensation assessment.

If you are unsure what the “market” rate is for a position based on your industry, geographic location, etc., consider whether you should conduct a compensation assessment to stay competitive in hiring and to retain your current employees. CEA can assist you with [compensation services](#).

6. Delegate responsibility to update your pay scale records.

There should be someone in your company who is primarily responsible for keeping your pay scale records up to date (e.g., Human Resources, Controller, etc.). Any time that a raise or demotion is considered for an individual, or upon any minimum wage/exempt salary increases, you should assess whether the change will impact any pay scales. If you are an employer with 15 or more employees, make sure to update your job postings accordingly!

7. Audit on a frequent basis (e.g., yearly, quarterly, monthly, etc.).

It is also advised to audit your pay scales on a frequent basis to catch any changes. Depending on the size of your organization, it may make sense to do this monthly or quarterly. If you are a smaller employer with less frequent changes/raises, you may be able to address this on an annual basis.