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Inside the Pay Structure: Employee Compensation at Life Sciences Companies

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The following is from a recent conversation with Monal Patel, a principal at Pearl Meyer and expert on employee compensation administration in the life sciences industry.

Q: What are the best practices for designing a salary structure for non-executive roles in life sciences?

First and foremost, a company should have a clearly defined compensation philosophy that identifies competitive labor markets and pay positioning, such as targeting the 50th percentile of market, or higher for critical roles, especially those in short supply. The philosophy provides context for all subsequent employee compensation decisions. Given that this is an industry that tackles some of society's biggest challenges, having a compelling story for how you reward those doing the innovative work is vital.

Salary structures provide a framework for deciding how much to pay employees. They are made up of several pay ranges that include a minimum and maximum and are often differentiated by job level and based on market data. The ranges are usually set to align with the company's compensation philosophy. There are several key development principles, and I will highlight a few.

The first is market alignment. This means setting salary ranges based on a comprehensive market pay analysis, considering benchmarks in life sciences and other relevant industry sectors (e.g., technology or general industry). In life sciences, some niche roles may lack solid market data, so salary structures give internal guidance where data is sparse.

Next is internal equity. You should consider each position's relative value internally, not just its external market price. There are instances when a position's internal value does not align well with its market value, which is important in defining a position's salary range. Having clear role definitions and job leveling, otherwise known as a job architecture, underpins this. A sound job architecture is an important foundation in the development of

salary structures.

Third, you want to have an appropriate salary range width. Salary ranges should be wide enough to account for different experience and performance levels, but not so wide that they become unwieldy. For example, entry-level bench scientists versus senior lab scientists might fit in one range if it's broad enough, but extremely wide bands can make administration difficult and provide little guidance as to the actual market value of the job. Ranges built using market percentiles, such as the 25th and 75th, can also create challenges either by being too narrow to reflect the breadth of roles within a grade, or by being too wide given the skew we sometimes see at the extremes in smaller data sets.

Finally, the structure should support the company's compensation strategy. For a high-growth biotech, that might mean more emphasis on equity growth. A more mature pharma might prioritize stability in cash compensation. As a result, pay ranges need to align with the targeted strategy, and be prepared to shift as needed.

Best practices also emphasize ease of administration and communication. The chosen structure must be manageable in HR systems, and easy to explain to managers and employees. Training managers on the structure is crucial, especially as pay transparency expectations among workforces grow. Ultimately, a well-designed salary structure balances competitive pay, internal fairness, and the company's pay philosophy.

Q: Are there different salary structure models companies use? Do any work especially well in life sciences?

Yes, and each has pros and cons. I will touch on a few of the most common structures that life sciences companies can consider.

The first is a conventional salary grade model, which is made up of multiple grades each with its own pay range. While the ranges are based on market data, the internal level of each job is bifurcated from its external value. For example, three different P2 level jobs may be placed in three different grades based on market. This model can work well in larger pharma companies.

Another common approach is broad grades or career bands, which consolidate traditional grades into fewer, broader bands. This structure can support more lateral career movement and rapid role evolution, which is useful in startups or fast-moving biotech teams. Broad bands can also simplify administration; however, this approach requires strong management oversight to avoid pay drift, which is essentially a slow escalation of pay over time.

Structures can also be defined by job family or subfamily. For example, R&D, clinical operations, regulatory affairs, tech/data science, commercial, lab/field roles, and so on. Each family might have several levels such as analyst, scientist, and senior scientist, with ranges reflecting market rates for that domain. This approach is great for maintaining internal equity within functional specialties, and it acknowledges that a software engineer

and a bench scientist might need different range calibrations. However, managing multiple structures creates complexity and can be more difficult to track and administer.

Some companies find that individual market-pricing works best for them. There are no formal ranges—each role's pay is set by direct market pricing. This offers maximum flexibility and is sometimes used for unique roles or in very small companies. This approach is by far the most labor-intensive with constant market-pricing and can be inconsistent without careful oversight.

Overall, broad bands have gained popularity in tech and are being adopted in some biotech settings for agility, but they require a strong pay governance framework. Traditional grades are still most common and easier for ensuring compliance and consistency, which is a factor in life sciences firms that value structured progression. Selecting the right design is important but companies also need to consider the trade-offs in administration, change management requirements, and manager training.

Q: How are pay transparency trends and regulations impacting compensation administration in life sciences?

Pay transparency is a trend—and often a requirement—across all industries, including life sciences. Many jurisdictions now require posting salary ranges in job listings. And it is increasingly common workplace culture to more openly discuss pay. Life sciences companies should be well aware of how this might impact their administration of employee pay. First, based on the jurisdiction's laws, firms must be ready to publicly share salary ranges for roles, which means those ranges need to be well-defined and justifiable. Countries and states continue to roll out pay transparency laws. Life sciences companies often operate in multiple states or even globally, and thus need to ensure compliance in each location. A biotech operating in California, New York, and Massachusetts has to meet each state's rules. Non-compliance risks legal penalties as well as potential reputational damage in an industry where the employer brand matters in attracting talent.

This transparency shines a light on any inconsistencies. If two positions in similar roles have a wide pay gap without clear reason, employees will notice. We have clients who are auditing their compensation programs to identify and fix anomalies before going public. Doing a pay equity analysis to correct any unexplained differences in pay is now a common practice. On the positive side, when done right, transparency can increase trust. Employees feel the company has nothing to hide and is treating them fairly. In an industry built on scientific truth, having compensation transparency can reinforce an overall culture of integrity.

Q: How do you advise life sciences to manage pay transparency?

We've talked about the importance of a compensation philosophy, a salary structure with a defined job architecture, and equipping management to talk about both. I would stress again the importance of robust market benchmarking and using up-to-date market data to set credible pay ranges. Life sciences firms often use industry-specific surveys, for example for biotech roles, and these must be refreshed regularly. Ranges should balance external competitiveness with internal equity, and this is especially true when transparency comes into play.

With specific regulations, you will need to decide exactly what to post. Will it be the full range—minimum to maximum—or midpoints or percentiles? Many firms lean toward the full range for openness. Be sure that posted ranges truly reflect what you'd pay; nothing will negate trust more than posting a range and then not offering within it.

Finally, leaders should visibly support transparency. If historically little was shared, leadership must explain why transparency matters now and how it aligns with the company's values. This top-down support helps shift culture and can turn a compliance obligation into an opportunity to strengthen trust with employees.

About the Author

Monal specializes in broad-based pay benchmarking and global job architecture design, helping clients align market data, career progression, and salary programs through modeling and implementation support.

About Pearl Meyer

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