

**MODULE****3****Job Evaluation****3.1. JOB EVALUATION****3.1.1. Meaning and Definition of Job Evaluation**

Job evaluation can be defined as a structured and organised method of assessing jobs and classifying them according to their utility in the organisation. It also helps in designing compensation plans. It generally depends upon compensation variables (skills required for job performance, working conditions and job responsibilities) instead of employees. For example, the compensation variables for a junior-level engineer may consist of bachelor's degree in mechanical engineering, industrial experience of three years, and experience of two years in product testing to ensure the quality and consistency. Group of compensation variables which are used to determine wage rates will vary, as some variables are used for determining hourly wages, some are used for determining salaries and some for evaluating performance on a task basis.

According to Edwin B. Flippo, "The systematic and orderly process of measuring the worth of job within an organisation is called job evaluation".

According to Kimball and Kimball, "Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basic wages for such a job should be".

According to Dale Yoder, "Job evaluation is a practice which seeks to provide a degree of objectivity in measuring the comparative value of jobs within an organisation and among similar organisation. It is essentially a job rating process, not unlike the rating of employers".

**3.1.2. Purposes of Job Evaluation**

Purposes of job evaluation are as follows:

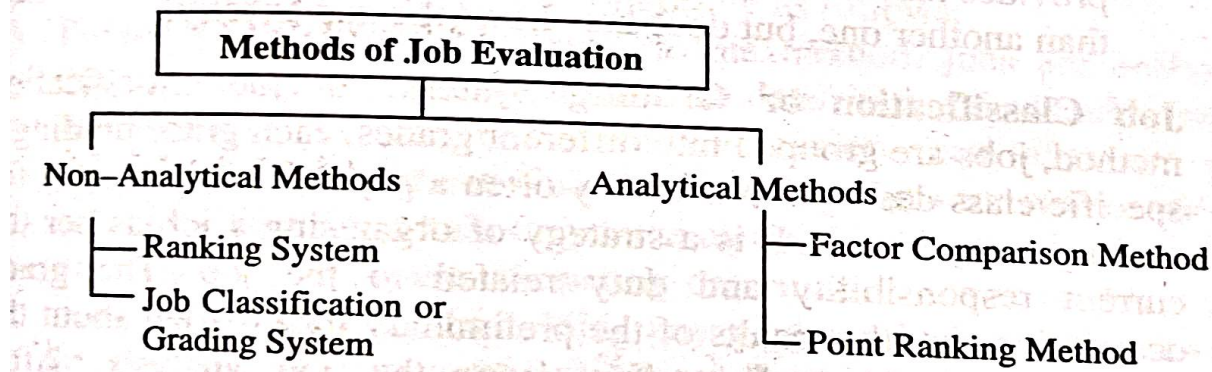
- 1) To regulate the real value of jobs, depending upon a systematic evaluation of job complexity and to perform it autonomously, through a set of pre-determined compensation standards, without considering the characteristics and outcomes of the real job performers.



- 2) To correlate the jobs in relation to their real value and to decide the complications associated with job and logical job structure.
- 3) To render a logical base for equal payment of wages and salaries so that equity is maintained.
- 4) To arrange the jobs according to their significance based on job functions, liabilities and other concerned factors.
- 5) To attain and keep thorough information of each job or occupation.
- 6) To develop a system for regular review of wage rates.
- 7) To render a standard for employee's career planning.
- 3) To aid the employers in identifying the expandable jobs as well as the removable jobs, if it is required. Sometimes, jobs are removed because of technological changes. Whenever technology changes, previous jobs like typing or manual adding, becomes less important and sometimes completely not even required.

### 3.1.3. Methods of Job Evaluation

The methods of job evaluation are as follows:



#### 3.1.3.1. Non-Analytical Methods

In such methods, all the jobs are contrasted against each other without splitting them further and evaluated under their various elements. Various methods are as follows:

**Ranking System:** This method tends to arrange and rank the jobs according to their values from the simplest to the toughest or *vice versa*, in a sequence. There is no need to have the job descriptions, although they are important. At times, a series of grades or zones are developed and all the jobs are organised under that job description. It is very common to organise all the jobs as per their demand by giving them rates and to classify them.

Generally, one chooses to rank the jobs as per the 'whole job' instead of ranking them on the basis of quantity of compensation variables.



### **Advantages of Ranking System**

Advantages of ranking system are as follows:

- i) It is easy to explain this system to the employees (or a union). Hence, it is an appropriate method for small organisations with well-defined jobs.
- ii) It is comparatively cost effective and needs less administration.
- iii) Less time-consuming, includes few forms and less work, until it is carried-out to a detailed level, by the organisation.

### **Disadvantages of Ranking System**

Disadvantages of ranking system are as follows:

- i) The specific job demands like skills, effort and responsibility are usually not evaluated individually. More often, a rater's judgemental view seems to be heavily affected by current wage rates.
- ii) This system only develops a job sequence, but it does not denote to which extent it is more significant than others. It only provides ranks and tells us whether it is higher or more complex than another one, but does not show the gap exactly.

- 2) **Job Classification or Grading System:** In job classification method, jobs are grouped into different grades, each grade holding specific class description and very often a pay scale is also used for making comparisons. It is a strategy of organising a job as per the current responsibility and duty related to the job. The grade descriptions are the results of the preliminary information about the job which is generally taken from the job analysis. After formulation and study of job description and job specification, jobs are categorised into classes or grades which indicate various pay scales. Certain jobs may then be categorised together into a common rank or classification. Basic grade descriptions are specifically written for each job classification, and at the end these are utilised as a benchmark for allocating a specific pay scale to every job.

### **Advantages of Job Classification System**

Advantages of the job classification system are as follows:

- i) As this method does not demand for extra time or any kind of technical help; it is simple to understand and operate.
- ii) As a system, job classification allows the administration to deal with different job functions at the same time.
- iii) It easily resolves the pay determination issues by grouping the jobs into a classification. These pay grades are set for and delegated to every job classification.



### **Disadvantages of Job Classification System**

Disadvantages of the job classification system are as follows:

- i) Job classification influences employee efficiency or performance and their hierarchical relationships. Human resources may be re-deployed and they may face difficulty in adjusting with new atmosphere and people. It may affect the performance due to changed standards.
- ii) In the absence of a detailed job analysis, the judgement with respect to whole job range may provide a wrong categorisation.
- iii) When the number of jobs is more, the job classification system is hard to implement.
- iv) Understanding the influence of job's rank of a person on the job is a complex task.
- v) This system is inflexible and inappropriate for big organisations or for jobs with varied nature.

### **3.1.3.2. Analytical Methods**

Analytical or quantitative method includes the breaking down of jobs into elements and giving a final and overall rank order score for each element. The various analytical methods are as follows:

- 1) **Factor Comparison Method:** In this method, jobs are analysed through benchmark values. It involves determining those jobs which include more number of compensable factors than others. In this case, the analyst or the evaluation committee opts for some 'key' or 'standard' jobs for which they have clear job descriptions within the organisation and in the competing organisations as well. They also opt for the standard jobs holding pay grades, which are agreed upon by both the management and labour. In this method, every job is given a rank, one at a time for each selected compensable factor.

### **Advantages of Factor Comparison Method**

Advantages of the factor comparison method are as follows:

- i) It is an organised and computable method in which explanatory guidelines are provided.
- ii) To determine a relative value, jobs are compared to other jobs.
- iii) This method can be easily understood by employees.
- iv) There is no restriction on the application of values to each factor.

### **Disadvantages of Factor Comparison Method**

Disadvantages of the factor comparison method are as follows:

- i) Expensive installation and a bit hard to execute for one who is not familiar with the basics of job evaluation method.



- ii) Changes take place in wage levels with time, and their minor deviations may be modified to align all the jobs.
- iii) When used as a basis of rating, money rates tend to affect the actual rate more than the abstract point.
- iv) The system is complicated, so it is not properly understood by all employees.

2) **Point Ranking Method:** This is the most commonly used method of job evaluation. **Firstly**, it recognises the number of compensable factors (i.e., a variety of job characteristics) and **secondly**, it determines the extent to which each of these factors is available in the job. Each factor holds a different number of points. As soon as the degree of each factor is analysed, the equivalent number of points of each factor is combined and the total value is achieved. This method relies upon the belief that it is possible to give points to individual factors which are important for evaluating the job of an individual. Total of these points gives an idea about the relative importance of rated jobs.

#### **Advantages of Point Ranking Method**

Advantages of point ranking method are as follows:

- i) Points are given to each factor which makes it easier to allocate values to sum of job points.
- ii) This method is easily accepted by the workers.
- iii) The system cannot be manipulated easily.
- iv) A large number of jobs can be handled by this method and it also seems to be stable as long as the factors remain relevant.

#### **Disadvantages of Point Ranking Method**

Disadvantages of point ranking method are as follows:

- i) Installation and creation of this system is expensive.
- ii) This method consumes a lot of time in defining job factors and it is also clumsy.
- iii) If numerous rates are used, substantial clerical work is required in recording and concluding the rating scales.
- iv) It is not easy to determine the level of factors present within the factors and finally allocating the values.

### **3.1.4. The Job Evaluation Process**

Similar to the job analysis process, job evaluation is never a 'one and done' activity. Job evaluation should be conducted regularly and, like job analysis, not only when an incumbent is vacating a position. A job evaluation should be conducted in conjunction with the job analysis



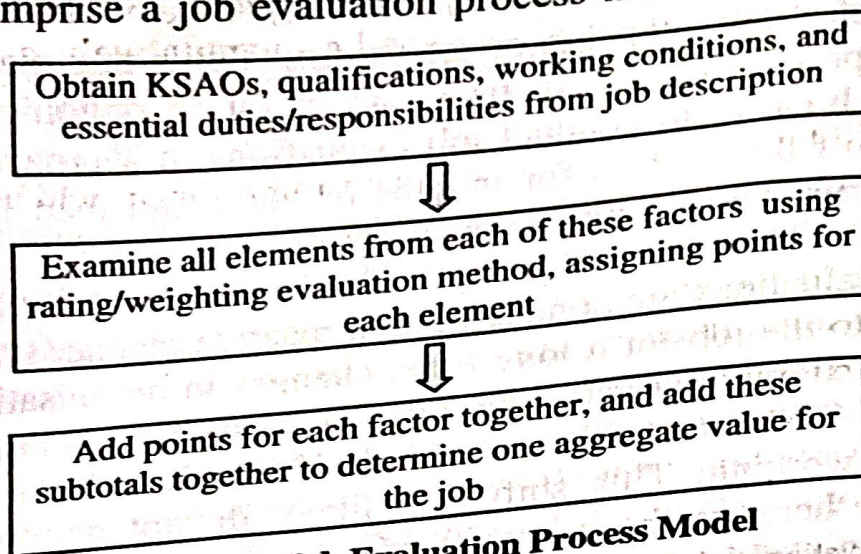
process on a regularly scheduled basis (e.g., annually) and/or as circumstances and needs shift, which may require a more ad hoc assessment of a particular job or job family. While this may seem like an arduous project to have to take care of on an ongoing basis, it is actually much easier to conduct job evaluations in a proactive manner than to put off the process for months or years and then have to deal with them when it is absolutely necessary.

When job evaluations are conducted in a reactive manner based on lack of attention to the job for a long time, changes in organisational needs, or changing external market/economic conditions, the result may require a drastic pay shift for a job or job family in which multiple incumbents are already working. This shift will likely disrupt an organisation's budget cycle because the pay shift may be significant and also could impact many employees. Moreover, there is also the possibility in some situations that an overdue job evaluation may result in an organisation having to provide its job incumbents a retroactive pay increase for the time that elapsed while they were working in a job that was undervalued and therefore not providing fair and adequate compensation for a period of time. This is the reason why every element of a job – its job title, qualifications, working conditions, tasks and responsibilities, and pay grade – must all be in alignment and reassessed regularly. The costs of conducting appropriately timed job analyses and evaluations are minimal compared to the costs, headaches, and potential legal risks of making them a low-priority task (or ignoring them altogether).

Sometimes, external conditions and circumstances beyond an organisation's control will drive the need for a job evaluation and the determination of value for either a new or existing job. Perhaps the most pivotal societal shift that has impacted jobs in recent years has been the technology and Internet evolution. As now societal trends and shifts affecting job value and the supply/demand of the KSAOs, which means an organisation should consistently assess its jobs and their value to be proactive and prepared to adapt to unplanned needs with minimal disturbance to compensation equity and structure. Some considerations for organisations as they evaluate job value and compensation structure may include the current and planned budget for pay and benefits, the number and type of in-demand, highly specialised, or niche jobs needed as part of the workforce, the organisation's strategic plan and long-term objectives, the organisational culture, labour market trends, the practices of similar organisations, and industry standards. Having a standardised job evaluation process in place will enable an organisation to assess the value of its existing and projected jobs, both in a strategically planned



manner and on an as-needed basis. **Figure 3.1** depicts the elements that typically comprise a job evaluation process model, which is explained below:



**Figure 3.1: Job Evaluation Process Model**

### 3.1.4.1. Step 1: Obtain Job KSAOs, Qualifications, Working Conditions, and Essential Duties

This first step in the job evaluation process should be fairly straightforward and not require a great deal of effort, as long as the job description is accurate and up to date. If the job description needs to be reassessed, then a job analysis will have to be conducted first before proceeding. Essentially, the job description will be broken down here to prepare for the objective rating and weighting of all the elements that comprise the job, including its KSAO requirements, education/experience qualifications, essential duties and responsibilities, and working conditions for determining its worth and appropriate compensation. These elements are referred to as compensable job factors and allow for the standardisation and appropriate classification of similar job elements across all the jobs within an organisation.

#### Compensable Job Factors

Compensable job factors include any job element that has some degree of monetary value to the organisation and will contribute to its overall worth.

Jobs will vary in terms of their compensable factors, but these general categories will be relevant and cover all the job elements among an organisation's jobs, regardless of function or level. Some jobs will have a high-level educational requirement but offer comfortable working conditions, while other jobs will require few educational qualifications but come with a demanding shift schedule or harsh working conditions. Some jobs will require a large number of essential duties and responsibilities that are low complexity, while other jobs may require



fewer essential duties but have much higher complexity or risk involved. All these variations have to be quantitatively assessed. The use of compensable factors, enables a human resources (HR) professional or consultant the ability to examine each job element and determine a value based on its worth and importance, which is the next step of the job evaluation process. Examples of compensable jobs factors include the following:

- 1) Job-Specific Knowledge,
- 2) Educational Requirements,
- 3) Level of Autonomy,
- 4) Scope of Accountability,
- 5) Decision-Making Authority,
- 6) Supervisory Responsibility,
- 7) Interpersonal Relationships,
- 8) Work Environment Conditions,
- 9) Schedule/Shift Needs,
- 10) Work-Related Risk/Safety,
- 11) Task Quantity,
- 12) Task Complexity,
- 13) Task Frequency, and
- 14) Physical Demands.

#### **3.1.4.2. Step 2: Examine Compensable Factors Using the Rating/Weighting Evaluation Method**

Though there are different job evaluation approaches that focus more on non-quantitative methods such as relative comparisons between jobs and rank ordering, the job evaluation approach and involves the use of a quantitative methodology consisting of numeric ratings and the weighting of compensable factors. While non-quantitative methods are certainly viable options, relative standards of measurement such as job comparison and ranking do not provide information regarding the actual distance between jobs, nor do they provide an overall numerical score based on the rating of a job on specific criteria. If the goal is to develop a standardized approach that is objective and yields quantitative data, it is recommended to implement a consistent and quantifiable job evaluation strategy using the point-factor rating method.

#### **Point-Factor Rating Method**

Each compensable factor should have a standardized, quantifiable definition that explains the factor as well as the different levels of the factor to evaluate the scope and extent to which it may appear across jobs. The levels within each compensable factors definition are rank ordered and a numeric point factor can be assigned to each level within



each definition. The point factors can then be accrued for all relevant compensable factors in this step of the process. All the points that are determined for a job are ultimately added together to derive an overall score for the value of that job, which is the final step in the job evaluation process. Point Factor is a numeric value that represents the extent to which a compensable job factor exists within a job. There is no right or wrong way to set up these point-factor definitions and levels, but they must be consistent, logical, and organised in rank order from lowest to highest level. Moreover, an effective approach would be to find a reasonable number of definitions per factor that is neither too small (which will not provide much insight or distinction among jobs) nor too large (which will require extensive job documentation to validate such granular differences). What if the compensable factor of education was defined by three point-factor levels:

- 1) High school diploma or GED,
- 2) Associate's or bachelor's degree, and
- 3) Master's and doctoral degree?

This number of levels is really not adequate enough to fully assess the worth of each higher-education degree, and there is quite a bit of difference between an associate's and a bachelor's degree and a masters and doctoral degree. These degrees grouped together, as in this example, would limit an accurate weighting and evaluation of the worth of each to the organisation. Conversely, consider a compensable factor such as task frequency defined by way too many levels:

- 1) 0 to 5% of work time,
- 2) 6% to 10% of work time,
- 3) 11% to 15% of work time,
- 4) 16% to 20% of work time,
- 5) 21% to 25% of work time,
- 6) 26% to 30% of work time, and so on.

**Table 3.1: Example of Point-Factor Levels for an Education Requirement**

Compensable Factor – Education Requirement	
Level/Points	Level/Definition
1/10 pts	High school diploma or GED
2/20 pts	Specialized trade certification
3/30 pts	Associate's degree
4/40 pts	Bachelor's degree
5/50 pts	Master's degree
6/60 pts	Doctoral degree

The number of levels within each factor definition should reflect reasonable differences that represent increments of worth. Now consider



Tables 3.1 through 3.4 for a few examples of how compensable factors may be quantitatively defined with corresponding point factors. In each of these examples, there are a relatively consistent number of levels, and each represents a significant distinction from the prior level and the next level.

**Table 3.2: Example of Point-Factor Levels for a Relevant Work Experience Compensable Factor**  
Compensable Factor: Relevant Work Experience

Level/Points	Level/Definition
	Less than 1 year
1/10 pts	1-3 years
2/20 pts	4-6 years
3/30 pts	7-9 years
4/40 pts	10-12 years
5/50 pts	13-15 years
6/60 pts	More than 15 Years
7/70 pts	

**Table 3.3: Example of Point-Factor Levels for a Task Frequency Compensable Factor**  
Compensable Factor: Task Frequency

Level/Points	Level/Definition
	Less than 15% of total work time
1/10 pts	16%-30% of total work time
2/20 pts	31%-45% of total work time
3/30 pts	46%-60% of total work time
4/40 pts	61%-75% of total work time
5/50 pts	76%-90% of total work time
6/60 pts	More than 90% of total work time
7/70 pts	

**Table 3.4: Example of Point-Factor Levels for a Supervisory Responsibility Compensable Factor**  
Compensable Factor: Supervisory Responsibility

Level/Points	Level/Definition
	No supervisory responsibility
1/10 pts	
2/20 pts	Supervises 1-5 employees, but does not oversee an entire department/shift
3/30 pts	Supervises 6-10 employees, but does not oversee an entire department/shift
4/40 pts	Supervises 11-15 employees, but does not oversee an entire department/shift
5/50 pts	Supervises more than 15 employees, but does not oversee an entire department/shift
6/60 pts	Supervises 1-10 employees and oversees an entire department/shift
7/70 pts	Supervises more than 10 employees and oversees an entire department/shift



## Factor Weights

Factors should be weighted based on the extent to which they impact an organisation's objectives. The greater the value a factor has to the organisation in terms of achieving its objectives and sustaining its vision and strategic goals, the higher the factor weighting should be. Each weight is represented as a percentage, and the weights of all the factors being incorporated in the job evaluation should ultimately equal 100%. Now consider the factors that just defined and assigned points to illustrate the calculation of factor weights. If an organisation determines that relevant work experience is the most valuable factor of this group, followed by education, with task frequency and supervisory responsibility having equal value, then the weights could be set up in the following manner:

Relevant Work Experience	35%
Education	25%
Task Frequency	20%
Supervisory Responsibility	20%
<b>Total</b>	<b>100%</b>

Factor weight is a percentage representing the extent to which compensable factor impacts an organisation's objectives.

This type of weighting system is not unlike an academic assessment weighting system that you may likely see on a course syllabus, in which a research paper is determined to be the most critical element and is weighted as 35% of a student's total course grade, followed by exams which are averaged and weighted as 30% of the grade, a presentation which is weighted as 20% of the grade, and attendance/participation weighted as 15% of the overall course grade. As you may imagine, there is no set formula or correct answer for setting factor weights; it really depends on the needs of the organisation and how each factor adds its own value in terms of enabling the job incumbent to contribute to produce outcomes that are in alignment with organisational objectives. It is important to note that there should be consistency and agreement among the factors and their weights for similar jobs and job families. For example, an HR professional should be able to examine all the jobs with supervisory responsibility in an organisation and validate that (a) supervisory responsibility is one of the factors included in the Job evaluation for every job and (b) that the factor is defined and weighted consistently among all the jobs, even though they are in different departments or business units.

### 3.1.4.3. Step 3: Add Factor Points Together to Determine Overall Job Value

The final step in the job evaluation process is to calculate a weighted value for each compensable factor by multiplying its point rating score



by its respective weighting percentage, and then add those numbers together to determine an overall job value. The following examples depict how the point-factor ratings and weighting percentages used together enable the objective assessment of job value across disparate, unrelated jobs.

Table 3.5

Job	Senior Accountant
Relevant Work Experience	40 pts $\times$ 35% = 14.00
Education	50 pts $\times$ 25% = 12.50
Task Frequency	30 pts $\times$ 20% = 6.00
Task Complexity	60 pts $\times$ 20% = 12.00
<b>Total</b>	<b>44.50</b>
Job	Front Desk Receptionist
Relevant Work Experience	20 pts $\times$ 35% = 7.00
Education	10 pts $\times$ 25% = 2.50
Task Frequency	60 pts $\times$ 20% = 12.00
Task Complexity	30 pts $\times$ 20% = 6.00
<b>Total</b>	<b>27.50</b>

Perhaps the most important benefit of the point-factor method is that it provides the standardized rating and weighting of compensable factors used across jobs to ensure accuracy, objectivity, and consistency.

There is virtually no subjectivity involved when evaluating a job's worth using this assessment technique. The point-factor method is a pragmatic approach to ensure all jobs are clearly and fairly differentiated based on their respective elements. Even though each job will receive a numeric value that represents a unique combination of compensable factors with varying point factors, these values will overlap among the jobs in an organisation. This is why the job of junior accountant may be classified in the same pay grade as the job of help desk supervisor or HR coordinator within an organisation's compensation structure, even though these jobs are quite different from each other. They may represent the same overall worth to the organisation. Another critical benefit of job evaluation is that it will reduce the likelihood of pay compression, which occurs when the pay among a set of jobs is very similar – clustered together – even though they are quite different in terms of job factors.

Conducting regular job evaluations will enable an organisation to forecast and plan pay range adjustments based on changing market rates and shifting trends in job design and in-demand KSAOs, which will ensure external equity as well as sustain internal equity between existing



employees and new hires. Point-factor plans can be developed in-house, purchased as off-the-shelf prebuilt systems, or custom developed by consultants specializing in job evaluation and strategic compensation planning.

- 1) **Pay Compression:** A compensation issue that occurs when the pay figures among a set of jobs are clustered together, even when the jobs' compensable factors are very different.
- 2) **External Equity:** The extent to which an internal job is equitable and in alignment with a comparable external job.
- 3) **Internal Equity:** The extent to which one internal job is equitable and in alignment with another comparable internal job.

### 3.1.5. Hay Group - Pioneer in Job Evaluation

"Hay" is not an acronym. Hay Group® is an international organisational and human resources consulting firm with more than 2,000 employees that was founded in 1943 by Edward Ned Hay. Hay is considered to be a pioneer in the human resources community, particularly with regard to the compensation issue of measuring jobs.

The Hay Group Guide Chart Profile Method of Job Evaluation is the most widely used single job evaluation method in the world, being used by over 7,000 profit and non-profit organisations in some 40 countries. While it is perhaps best known for its application to management professional and technical jobs, it is also extensively used for clerical and manual jobs, and when a single top-to-bottom evaluation method is required as the basis for integrated pay and grading structures. It was initially conceived in the early 1950s, having its roots in factor comparison methods in which Edward N. Hay was a pioneer, and has evolved by practical application into its present form.

Its widespread use, and the consistency of the job-size numbering scale used, enables it to provide the basis for valid pay comparisons between organisations, nationally and internationally. Comprehensive pay and benefits surveys, using job-size-based comparisons, are conducted by the Hay Group in over 35 countries. The method can be applied by a wide variety of processes, both manual and computer assisted, tailored to the particular requirements of the user organisation.

#### Job Dimensions

In the Guide Charts, the requirements of a job are regarded as universal and are termed factors, these being sub-divided into "dimensions".



In each of the following factors there are a series of descriptions and variables with points assigned to each.

1) **Know How:** 'Know How' is defined as the "sum total of every kind of knowledge and skill, however, acquired, and needed for acceptable job performance." There are three dimensions in know how:

i) **Practical/Technical Knowledge:** The necessary breadth and depth of technical/specialized knowledge for effectively performing a job.

ii) **Planning, Organising, and Integrating (Managerial) Knowledge:** A job's required managerial responsibilities that impact the achievement of functional/departmental goals and objectives, such as planning, organising, staffing, directing, and controlling financial, physical, and human resources.

iii) **Communicating and Influencing Skills:** A job's required interpersonal and communication skills for effective interaction with all internal and external stakeholders.

2) **Problem solving:** 'Problem Solving' is "the amount and nature of the thinking required in the job in the form of analysing, reasoning, evaluating, creating, using judgment, forming hypotheses, drawing inferences, arriving at conclusions, etc." There are two dimensions in problem solving:

i) **Thinking Environment:** The environment in which the thinking takes place.

ii) **Thinking Challenges:** The challenge of the thinking to be done; the novelty and complexity of the thinking required.

Problem solving is always expressed as a percentage of know how since it directly relates to how one uses the knowledge which he or she must have in the job to solve the problems which are encountered as part of that job.

3) **Accountability:** 'Accountability' is "the answerability for action and its consequences. The measured effect of the job on end results in the organisation." There are three dimensions in accountability:

i) **"Freedom to Act"** which is the extent of personal, procedural or systematic guidance and control on the job.

ii) **"Job Impact on End Results"** which is the degree to which the job affects or brings about the results expected of the unit or function being considered.

iii) **"Magnitude"** is the size of the function or unit measured in the most appropriate fashion.



- 4) **Working conditions:** 'Working Conditions' is the fourth factor which also exists. It assesses the environment in which the job is performed. Working Conditions are made up of four dimensions:
- "Physical Effort":** Jobs, which may require levels of physical activity, which may produce physical, stress or fatigue.
  - "Physical Environment":** Jobs which may include exposure to unavoidable physical and environmental factors which increase the risk of accident, ill health or discomfort to the employee.
  - "Sensory Attention":** Jobs which may require concentrated levels of sensory attention (i.e., seeing, hearing, smelling, tasting, touching) during the work process.
  - "Mental Stress":** It refers to exposure to factors inherent in the work process or environment, which increase the risk of such things as tension or anxiety.

Each of these four dimensions is measured according to duration, intensity and frequency. All of these factors are evaluated in each job evaluation and the cumulative total is a total point factor for the position. Because jobs have so many different variables it is possible that a job without a high score in 'Know How' but with severe 'Working Conditions' could result in the same number of points with a job that has the opposite components. **For example**, an insurance clerk and a bus driver have few job responsibilities that are similar, but might be evaluated in total at the same point level.

Factor	Intermediate Insurance Clerk	School Bus Driver
Total Points	155	155
Know How	100	87
Problem solving	19	16
Accountability	25	22
Working Conditions:	Physical effort 2	Physical effort 9
	Physical environment 1	Physical environment 7
	Sensory attention 6	Sensory attention 9
	Mental stress 2	Mental stress 5

Although these jobs have little in common and differ in the Hay Points for individual factors their total points are the same and therefore the jobs are considered to be of equal value. Obviously the trained evaluator must consider the ratings awarded to a Senior Insurance Clerk and Junior Insurance Clerk to maintain the integrity of the rating within job families when evaluating the Intermediate Insurance Clerk.



While these jobs have been evaluated individually important concepts are consistency of application and the establishment of benchmark positions. All positions within an organisation are evaluated in comparison to the benchmarks using a consistently applied evaluation tool.

### **3.1.6. Determining Compensation using Job Evaluation Data**

Once a job's value has been established through an accurate job evaluation process, that information can then be leveraged to determine the appropriate compensation that is fair as well as market competitive. The comparison of internal data about a job, including its job description and value, with external job data sources is referred to as a benchmark analysis. An external benchmark analysis can be conducted to assess the extent to which an organisation's compensation package for a specified job or job family is aligned with the compensation of similar jobs in other organisations. An internal benchmark analysis is another effective technique to examine alignment and consistency of compensation across jobs, with this method focusing solely on the jobs within the organisation. There are many jobs that are not unique to solely one department/function or geographic location, and they should be identified in order to classify them into consistent pay grades. Consider how many administrative assistants or project managers an organisation may have in different areas, or how many different types of nurses exist in different departments of a hospital.

Conducting regular compensation benchmark analyses is an important business strategy for a number of reasons. From a macro organisational level, benchmark analysis enables the creation of a competitive compensation strategy that is consistent with organisations similar in size and industry. Data obtained through regularly conducted benchmark analyses provide the information that organisational leaders and decision makers need to sustain a talented workforce that is compensated competitively and consistently while also adhering to budgetary parameters to ensure fiscal responsibility. From an HR perspective, this type of assessment helps to guide HR professionals and departmental/functional managers on budget planning decisions required for hiring for existing and/or newly created jobs, determining promotions, and offering pay increases and bonuses.

#### **Comparison of Internal Job and Benchmark Job**

Benchmark job is a type of a defined job position found in the workforce for which pay, legal and other specifications remain



consistent across the industry and can be used to make pay comparisons and job evaluations. The term key job may be applied. Benchmark job related data is useful to both employers and employees. Employers can use it to check employees' level of responsibility and salary consistency, and employees can use it when negotiating for a new job or for a pay rise/increase in responsibility when they're already employed.

A benchmark job is one that is similar to an existing job within an organisation and can accurately and reliably be used for comparative analysis. It is important to note that benchmark jobs should not be determined solely by the similarity of one common job element. In particular, job titles may look similar and appropriate for benchmarking but could be very different from each other when you compare their KSAOs and essential duties and responsibilities. When determining the appropriate benchmark job, there are several important factors to consider:

- 1) How representative is this job in the external market—is it fairly common or niche and very specific to the organisation?
- 2) How do the KSAOs of the benchmark job match up to the job being evaluated?
- 3) How closely aligned are the essential duties and responsibilities of the benchmark job with the job being evaluated? Do they share at least 70% of the same duties and responsibilities?

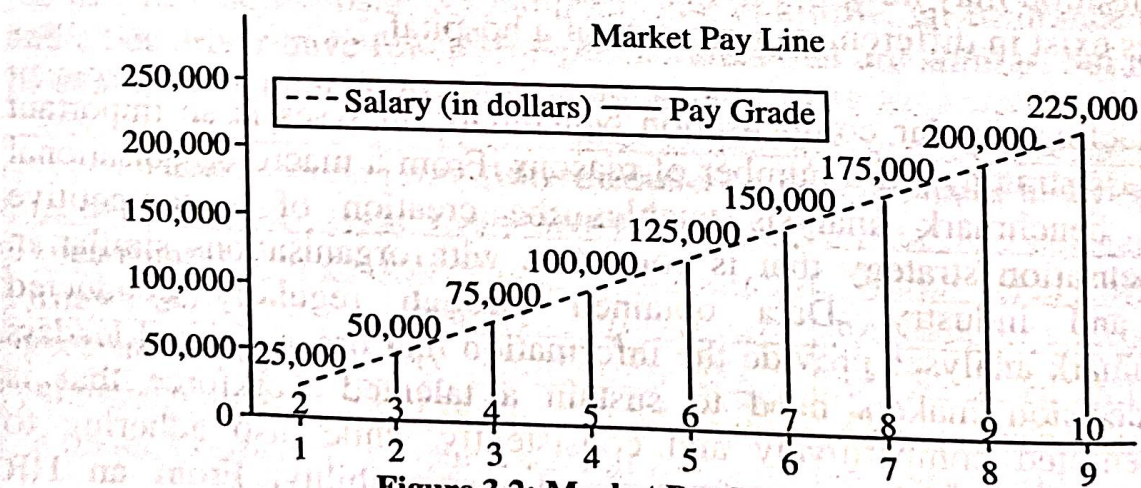


Figure 3.2: Market Pay Line Example

The data collected from all the benchmark jobs can be examined along with an organisation's jobs in different ways to determine the extent to which those jobs are within a reasonable range with the benchmark jobs. A common approach is the use of a market pay line, or pay curve, which is the graphical comparison of the benchmark jobs' pay with the organisational jobs' pay, and this may facilitate a clear understanding of how all the pay data points align with each other. In statistical terms, this market pay line essentially depicts a simple



regression analysis. If you recall from a statistics course, a regression analysis provides a line of best fit after graphing external benchmarking pay data points with data points for the internal job. If the regression results show that these data points are not within range of each other, it is an indication that something is amiss and re-evaluation is necessary. A market pay line can be a valuable measure to either determine if existing wages are in alignment with external market data or establish pay ranges for new jobs that need a pay structure by graphing their job evaluation points rather than pay data points. As in Figure 5.3, a market pay line will show how the data form pay ranges that provide the minimum, midpoint, and maximum pay for the different pay grades. This graphic can also display any jobs with pay points above the maximum or below the minimum of the range, referred to as red circle and green circle rates.

It is important to remember that a benchmark analysis will not be a clean and straightforward “apples to apples” comparison. Organisations will vary quite a bit in terms of the elements that factor into a job’s total compensation package. For example, one organisation may offer a pay rate that is 15% less than a comparable job in another organisation. However, the organisation with the lower-pay job may offer full tuition reimbursement that the higher-pay organisation does not offer. Perhaps the higher-pay job also requires a bit more monthly travel in that organisation that is not required for the comparable lower-pay job in the other organisation. These elements do add up and may shift the total compensation somewhat, and this is an important consideration when conducting external benchmarking.

Unless you have first-hand knowledge of every job factor and every element in another organisation’s compensation and benefits package (i.e. their job evaluation), you will not exactly know the rationale behind any variance. This is especially important to consider when using compensation data from a single organisational source for external benchmarking compared to using compensation data that are an aggregate of multiple organisational sources.

By examining external market compensation data, an HR professional or consultant can accurately group different jobs that have similar market pay rates into the most appropriate pay grades, which are essentially categories structured by pay ranges in which jobs will be organised for compensation planning. This is where having external market benchmark data is extremely valuable, because this wage data can help determine the pay range for each job or job family.



## **Establishing Pay Grades Using Compensation Benchmark Data**

Organisations will often group jobs into pay grades as part of their compensation structure. The importance of conducting job evaluations is obvious here, because there will be an array of jobs from different functions/departments being categorised into the appropriate pay grades, and there needs to be quantifiable data demonstrating the overall value of each job, which in turn supports proper placement into its respective pay grade. There is typically a minimum, a midpoint, and a maximum for each grade that includes the full pay range appropriate to any job that gets classified in that grade. Organisations commonly use the 50th percentile, the mean, or the median of the external pay data collected as the midpoint of the range for each pay grade, but this may shift depending on the organisation's compensation strategy. For example, if an organisation wants to present a highly competitive and appealing compensation package to job seekers, then the pay grade midpoint should be higher than the 50th percentile. Conversely, if the organisation has excellent benefits or programs that appeal to job seekers, it may prefer to set the pay grade midpoint under the 50th percentile because a lower market rate pay structure will be balanced out by an exemplary benefits package.

When it comes to developing a pay grade structure, there is no right or wrong numbering system, but the system should be transparent, consistent, and error free. Depending on the size of the organisation's workforce, a pay grade system can consist of as few as three grades or as many as 20 grades. Non-exempt and exempt jobs can share the same grades or be separated out into two subsystems. An example of this differentiation may be to categorize all non-exempt jobs into pay grades ranging from 1 to 9 (single digits) and all exempt jobs into pay grades ranging from 10 to 20 (double digits). Once pay grades are established, it is a good idea to examine the pay for every incumbent to determine if they are within range for the job they are currently in. Any inequity or disparity issues with incumbent pay not falling within the range for his or her pay grade can then be identified and resolved through correction or justified with a rational explanation. (There should be an excellent, legally compliant rationale for any issue not corrected in a timely manner.)

Once pay grades are established, there are different approaches for structuring the pay ranges among the grades. Broadbanding is a type of pay grade strategy in which there is a set amount of overlap from one pay range to the next. Specifically, the maximum or high end of a pay grade will overlap with the minimum or low end of the next pay grade. This overlap reduces a large number of pay grades into fewer grades,



each with a greater range spread. In addition to greater simplicity and agility in compensation planning and administration, a significant benefit of broadbanding is that it facilitates a more gradual and seamless pay progressions as incumbents receive increases over time, as well as promotions. With broadbanding, employees will not have to receive a huge pay increase when they get promoted to a higher-level job in the next pay grade. The promotion will typically come with an increase that is as much as or slightly higher than the typical merit increase without requiring a drastic jump in pay, which could have a negative impact on budgetary resources. Broadbanding enables an organisation to reduce its hierarchy in favour of a flatter design and provides managers with a structure that offers greater ease and flexibility for career development, promotion, and pay progression for their staff.

**Table 3.5** depicts a sample pay grade design and how jobs at varying levels from two different departments may be categorised within this grade structure. Even though the numbers do not align perfectly in this hypothetical pay grade structure, they are pretty close. The HR assistant and the accounts receivable/billing clerk are two completely different jobs, but their median pay is roughly the same and places them right around the Grade 10 midpoint. The same similarity can be seen with the HR specialist and accountant jobs, which are again quite different, but the median pay for both jobs would place them at approximately the Grade 11 midpoint. Lastly, with the HR manager and the accounting manager jobs, they are still fairly close in their median pay, which would place them in Grade 14.

**Table 3.5: Pay Grade Design Based on External Benchmark Data**

Human Resources Department – External Market Benchmark Data – National Median			
HR Manager	\$109.110		
HR Specialist	\$57.180		
HR Assistant	\$39.020		
Accounting Department – External Market Benchmark Data – National Median			

### 3.1.7. Legal and Ethical Considerations for Job Evaluation

The most intrinsic part of a job evaluation is defining the essential functions of a particular job. Job functions must be properly defined in order for employers to comply with the laws, and discrimination. By using the job ranking method and one of four methodologies, employers can determine an accurate description of the essential functions of any job and maintain compliance.



- 1) **Interview Method:** The interview methodology is one way of defining essential job functions. The interview method in job ranking generates descriptive data and enables job-holders to interpret their own activities. Descriptive data are used to identify the essential job functions. A skilled interviewer can ask additional questions into sensitive areas, generating data that may not be unearthed using other job ranking methodologies. There is the potential for interviewer bias using this method. It can also be difficult to bring information together from different interviews and put together an accurate description.
- 2) **Observation Method:** Employers can define essential job functions using the observation method for some types of positions. Jobs that require the employee to move around and have a short duration are the best fit for this methodology. Identifying the job functions in positions requiring manual labour such as lifting and operating equipment is particularly important, which requires employers to reasonably accommodate any employee with a disability. Observers should remain as unobtrusive as possible in order to prevent an employee from deviating from his or her regular routine. Observation provides a first-hand analysis of essential job functions. This method is not appropriate for positions that require a long period of concentration or mental versus physical effort.
- 3) **Questionnaires and Online Forms:** Questionnaires and online forms are easier to administer than the observation or interview methods and are particularly suited to positions with a high concentration of mental versus physical job functions. There are a variety of established questionnaires which help employers determine essential job functions in a job evaluation including the Fleishman Job Analysis Survey, the Common Metric Questionnaire and Functional Job Analysis Scales which are used by the US Employment Service. Each of these job surveys is uniquely designed to uncover mental and physical functions as well as relationship functions of any position. Garnering accurate information is necessary to maintain compliance.

### 3.1.8. Online Salary Survey-Pay Scale's Data Methodology

Surveys collecting information about employee compensation, including salary and benefits, are commonly called salary surveys. Salary surveys are tools used to determine the median or average compensation paid to employees in one or more jobs. It is a survey of the wages paid by employers in an organisation's relevant labour market – local, regional, or national, depending on the job.



A pay scale (also known as a salary structure) is a system that determines how much an employee is to be paid as a wage or salary, based on one or more factors such as the employee's level, rank or status within the employer's organisation, the length of time that the employee has been employed, and the difficulty of the specific work performed. Pay scales are important business planning tools for companies to create new positions when the budget allows, while also providing a standard of transparency where employees know their value and join a company with clear wage expectations. Pay scales also serve as a motivating tool for employees to seek more certifications and gain expertise in their field for a sense of upward mobility within the company and role.

Although any company within any industry can establish pay scales, they are most often used within the public sector for consistency. Implementing a pay scale replaces the traditional salary negotiation and can provide a road map for new employees to see their earning potential within the company while holding the same position. They clearly show the career pathways along with the lifetime earning potential. Employees benefit from knowing what to expect in terms of growth and compensation within a given company and can plan a future for their career path more effectively. Having this knowledge provides motivation for individuals to continue within the same organisation working to hone their skills, continue their education, and work toward expertise in their role to increase their value as an employee.

### Examples of Pay Scales

Pay scales are used to for businesses to provide an established and fair method of deciding employee compensation. Standardizing pay scales communicates consistency to employees and a solid foundation for understanding career trajectory and upward mobility within a company. The three basic types of salary structures used by businesses in determining employee earnings are:

- 1) **Broadband:** The broadband pay scale format is the least common. It offers more flexibility in regard to pay range, which is the margin between the minimum and maximum base pay for a given job. It identifies the minimum amount you can expect to make and the maximum amount you can expect to earn for a given role within a company. Broadband uses fewer pay grades with a wider salary range, which gives a business more freedom in deciding employees' individualized salaries. However, this structure can lead to larger pay disparities between employees who perform the same jobs and can lead to employee dissatisfaction. It can also allow employees to max out on their salary scale faster, lose incentive, and become frustrated



with fewer pay increases. These factors can cause an employee to look to another company in search of greater salary or motivation. A typical broadband structure pay scale may look like this. Please note the overlapping values:

	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6
<b>Salary</b>	17k-20k	20k-22k	22k-26k	26k-31k	30k-35k	34k-40k

- 2) **Traditional:** The traditional structure offers businesses less freedom in determining an employee's salary because it utilizes more pay grades. This method creates a more equitable method of determining salaries and provides more motivation for employees to stay with the same company as they can see more upward mobility in terms of pay increases, which happen more frequently and consistently, although they may be smaller in nature. The salary range is larger in each grade, but salary increases are small differences in each grade. This strategy offers more incentive for professional growth but keeps employees in a pay grade for longer.

	Grade 1	Grade 2	Grade 3
<b>Salary</b>	45k-55k	55k-75k	75k-98k

- 3) **Market-based:** A market-based structure is determined by what other employers in an industry pay their employees. A market-based pay scale is the most popular one in recent years and is based on research evaluating what other companies are paying for the same position. This model helps equalize pay across a given industry. Employees' decisions on where to work aren't influenced solely by salary. They must consider other aspects that influence job satisfaction such as company culture, leadership, and the company's values as revealed through its mission and overall goals.

Looking at what other companies pay for a specific position through the U.S. Bureau of Labour Statistics provides information on median salary expectations. If you've been offered a position, you can see how your offer compares to others in similar positions and see if you need to negotiate for fair pay. This guide can help you have a productive conversation about your salary package offer. A market-based salary structure can look similar to the traditional structure but is comparable to what other employers pay.

	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6
<b>Salary</b>	30k-35k	35k-40k	40k-45k	45k-50k	50k-55k	55k-60k

Employers show they value employees and their contributions to company success by paying them fairly. Although these three structures are the most typical, employers can use them in many



capacities. A business may begin with one structure and discover that another one fits the business model and needs better. Be sure the organization you work for and your leadership appreciate your skills and efforts and compensate you for your time and skills fairly by offering a competitive salary package.

The type of structure used by a company is guided by aspects such as industry, business size, location, and services or products offered. A clearly defined formal salary structure supports company transparency and delineates expectations. The pay scale and descriptions for each category can reveal the skills and characteristics the company values in employees and can serve as incentive for current employees to remain with the company or to seek professional development opportunities and can attract new skilled employees.

### **3.1.9. Computerised Job Evaluation**

A recent emerging trend in job evaluation is the use of computerised techniques. Quantitative methods of job evaluation like factor or point comparison plans involve plenty of evaluation time. Often, it is difficult to maintain a balance between cost-related factors and relative value of the job. Hence, companies are adopting computerised job evaluation methods to overcome these drawbacks. In the job evaluation process, computers can provide effective assistance by using position analysis questionnaire or task oriented questionnaires in a structured form. These questionnaires are equipped with data related to time consumed, importance of several actions, number of persons reporting to the authority, costs of benchmarking, etc. These factors are further helpful in having an impact on the job in a mechanical manner. Hence, computerised job evaluation is a productivity tool, which can accelerate the process of job evaluation in a greater way and also can prove to be an effective record-keeping method.

#### **Types of Computerised Job Evaluation**

Following are the two main types of computerised job evaluation systems:

- 1) **Job Analysis-Based Schemes:** Information related to the job analysis is either transferred from a questionnaire or is directly entered into the computer system. This system consists of software that uses algorithm based programmed rules based, which determine the evaluation standards of the organisation. This software generates a total score by converting each data into an individual score. The algorithm replicates panel judgments, both on job factor levels as well as on overall job score.



- 2) **Interactive Schemes:** Both the employee and his/her manager sit before a computer system, facing a series of logically interconnected questions, which make a question tree. When one answers these questions, a score for each of the built-in factors is generated, thus, calculating the total score.

### **Advantages of Computerised Job Evaluation**

Following are the advantages of adopting computerised job evaluation:

- 1) **Increase in Consistency:** Compared to the un-computerised job evaluation, there is an increase in consistency of results, if the job evaluation is computerised. It means that same input data will produce the same output result. This happens because the algorithms (or judgmental framework) on which the whole scheme is based are constantly applied to the input data.
- 2) **Provides Extensive Database Abilities:** Computerised job evaluation method provides extensive database. These databases are capable of sorting, analysing and reporting the input data and producing accurate outputs.
- 3) **Accelerated Job Evaluation Process:** After completion of the initial design, the job evaluation process is accelerated through computer-based methods.

### **Disadvantages of Computerised Job Evaluation**

The major disadvantages of computerised job evaluation process are listed below:

- 1) **Lack of Transparency:** Since job evaluation is done through a conventional computer-assisted scheme in a 'black box', hence, finding the link between analysis and evaluation is difficult. Consequently, final score cannot be justified.
- 2) **By-Passed Evaluation Process:** In computerised job evaluation system, the evaluation process seems to by-pass through joint employee-management panels. These panels are frequently used in conventional schemes. However, this disadvantage can be resolved, if these panels justify the final scores produced by the computer.

### **3.1.10. Advantages of Job Evaluation**

Advantages of job evaluation are as follows:

- 1) **Helps in Wage and Salary Fixation:** It assists the top management in developing a logical and consistent structure of wage and salary by facilitating a criterion to determine the wages and salaries. Wage incentive plans are also prepared on the basis of the job evaluation process.



- 2) **Helps in Reducing Grievances:** An organisation can make use of job evaluation programmes in order to reduce the disputes and grievances of workers through a systematic procedure.
- 3) **Helps in Recruitment and Selection:** Job evaluation helps in determining the need of new employees. When demand is identified, HR department can easily match the job requirement with new employees. Hence, it makes recruitment and selection easier. It also helps in deciding promotion and transfer of employees.
- 4) **Enhances Labour-Management Relations:** As job evaluation helps to remove inequalities in wages in the organisation, it facilitates in maintaining cordial relations among employees and employers.
- 5) **Guarantees Equitable Rewards Distribution:** Every employee needs fair and reasonable payment of rewards and job evaluation helps in ensuring equitable distribution of rewards.
- 6) **Helps in Analysis of Company:** It acts as an important technique for organisational analysis and recognising the gaps or overlaps in the duties and responsibilities.
- 7) **Helps in Wage and Salary Negotiations:** A logical base is provided by job evaluation in order to negotiate the wage and salary with trade unions.
- 8) **Evaluates Hierarchy of Job:** Job evaluation helps in determining the exact utility and the hierarchy of the job in the organisation. **For example,** if there are three job profiles, job evaluation will determine their exact position depending on the type of organisation and relevance of each position.

### 3.1.11. Disadvantages of Job Evaluation

Disadvantages of job evaluation are as follows:

- 1) **Non-Scientific Technique:** It is not a scientific but a systematic method of rewarding the job. It does not produce results with scientific precision because it is very difficult to assess each and every factor accurately.
- 2) **Adjustment Problems:** Although different ways are available to apply the techniques of job evaluation, rapid technological changes and supply and demand of some skills have resulted in adjustment problems.
- 3) **Unrealistic:** There are considerable variations between the job factors and the factors being focused in the market. These variations are wider in such cases where the average pay given by the organisation is lower than the current pay in other organisations for the same position in the same industry, or in the same geographical region.



- 4) **Organisational Limitations:** It is time-consuming to install the job evaluation in any organisation. In addition, it needs to be installed by experts and is expensive too.
- 5) **Opposition by Workers:** It is supposed to be a suspicious tool by the trade unions of the organisations because it relies upon some set of principles and usually, it ignores the outcomes. Certain methods of job evaluation are not easy to understand. Thus, workers usually have a fear that the job evaluation method will eliminate collective bargaining.
- 6) **Subjective:** A number of factors are used in evaluating jobs but there is no standard list of factors to be considered. Definition of factors varies from company to company. Various researches depict that factors utilised in job evaluation are not given due consideration or individual importance. There is more dependency on internal standards and assessment of wage rate fixation.
- 7) **Limitations of Evaluator:** In case, if the methods and principles of job evaluation are not well-known to the evaluator, job evaluation is supposed to produce inconsistent outcomes. In addition, if the evaluator is biased to any specific job, he will give more weightage to that job.
- 8) **Nature of Job:** It is a presumption that jobs which hold equal value are equally pleasing to all workers, but it is not true. If a job offers good future prospects, it will succeed in attracting more people.

### 3.1.12. Difference between Job Evaluation and Performance Appraisal

Basis of Difference	Job Evaluation	Performance Appraisal
1) <b>Meaning</b>	Job evaluation means analysis of job on the basis of factors like educational qualifications, work experience, responsibility, work conditions, etc., that are needed for good performance in a job.	Performance appraisal means evaluation of employee's performance on the job.
2) <b>Time</b>	A job is evaluated prior to the appointment of the employee on a specific job.	Employee performance is evaluated after he is selected and placed on a particular position.



3) <b>Purpose</b>	Its main purpose is to develop fair wage and salary differentials for employees.	Its main purpose is to assist in employee's promotion, giving rewards, punishments, employee transfers, conduct training need analysis, lay-offs, etc.
4) <b>Compulsion</b>	Many companies do not follow job evaluation as they do not consider it a compulsory function. While some companies follow job evaluation for the lower level jobs.	Performance appraisal is considered to be a compulsory activity and conducted periodically.
5) <b>Who can Perform</b>	Job evaluation committee, which comprises of internal as well as external experts, is appointed to execute the process.	No particular committee is appointed for appraising employee performance. Rather it is done by employees themselves, group of employees, colleagues, superiors, or combinations of all.