



JOB EVALUATION: A STRATEGY FOR COMPENSATION CONSISTENCY

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Abstract: *Job evaluation has always existed in one form or another. As soon as you have two employees in different grades being paid different wages you have started evaluating the relative importance of the jobs. Once a right candidate is placed on a right job, the person needs to be duly compensated for the job he/she performs. In the pursuit of equal payment, there should be established a consistent and systematic relationship among base compensation rates for all the jobs within the organizations. Job evaluation involves deciding the relative importance of some or all of the different jobs within an organisation. The present paper is an attempt to study the effectiveness and managerial implications of Job evaluation. The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements. Working out a systematic method for assessing a wide range of jobs takes time and patience.*

Key words: *Equal payment, compensation, consistent, comparative job, systematic method*

INTRODUCTION

Job evaluation is a constant, systematic process and a vital part of a modern organization management. It allows assessing work requirements for every job post together with its relative value. Job evaluation is being re-defined: building on traditional applications, it now incorporates greater transparency and supports a wider spectrum of HR initiatives in the talent space. Job evaluation involves deciding the relative importance of some or all of the different jobs within an organisation. Working out a systematic method for assessing a wide range of jobs takes time and patience. In fact, it has become a key tool for helping HR to position itself as a strategic advisor, supporting business decisions that need to be based not just on finance and operations, but also on people. Job evaluation is simply defined as “a systematic process for determining the relative value of a series of jobs within an organization.”

The latest trends in HR management have renewed interest in job evaluation. In particular, the rise of workforce metrics and increased adoption of human resource management



(HRM) technology call for more robust and consistent ways to evaluate and organise jobs. There is significant interest today in implementing job evaluation frameworks that promote fairness, bring consistency, and control cost. While these are key goals in troubled times, they are likely to persist as organisations look optimistically to the future. Having a job evaluation approach that is easily understood and systematic is essential to communicating or explaining the requirements for career growth in your organization. As a result, job evaluation systems are becoming more intuitive. Table 1 summarizes what job evaluation is and what it is not.

Table 1: Summary of Job Evaluation

Job Evaluation IS...	Job Evaluation IS NOT...
About the job	About the person doing the job
A measure of job value	A measure of performance
Used to set internal equity	About external competitiveness
Confined to value within an organization	How other organizations might value similar jobs
A process	A manual
Participative and consultative	A small backroom committee
A good basis of fair pay system	A way of judging a job holders performance
A way of getting a hierarchy of jobs on which to base a grading structure	A way of allocating pay rates
Systematic and consistent	Scientific

OBJECTIVES OF THE STUDY

1. To know basic approach to Job Evaluation.
2. To study the importance of Job Evaluation and its effectiveness.
3. To study the managerial/ human resource implications of job evaluation.

LITERATURE REVIEW

Job Evaluation: It is a systematic and orderly process of determining the worth of a job in relation to other jobs. This is the process establishing the value or worth of jobs in a job hierarchy and compares the relative intrinsic value or worth of jobs within an organization. It is therefore not the same as job analysis. Rather it follows the job analysis process, which provides the basic data to be evaluated. In simple words, job evaluation is the rating of jobs in an organization. Some renowned definitions of job evaluation are described below.



Scott, Clothier and Spiegel defines job evaluation as “the operation of evaluating a particular job in relation to other jobs either within or outside the organization”.

Dale Beach described job evaluation as “a practice which seeks to provide a degree of objectivity in measuring the comparative value of jobs within an organization and among similar organizations”.

Edwin B. Flippo defines job evaluation as “a systematic and orderly process of determining the worth of a job in relation to other jobs”.

Arthur A. Sloane described job evaluation as “any formalized system that attempts to determine the relative worth of different jobs in the organization so that jobs of greater value can be rewarded by greater pay”.

The International Labour Organization (ILO) defines as, “job evaluation is an attempt to determine and compare the demands which the normal performance of a particular job makes on normal workers, without taking into account the individual abilities or performance of the workers concerned”.

The British Institute of Management defines “job evaluation as the process of analysis and assessment of jobs to ascertain reliably their relative worth using the assessment as the basis for a balanced wages structure”.

M. Armstrong describes job evaluation as a “systematic process of determining the relative value of different job posts within an organization”.

Wendell French defines job evaluation as “a process of determining the relative worth of the various jobs within the organization, so that differential wages may be paid to jobs of different worth. The relative worth of a job means relative value produced. The variables which are assumed to be related to value produced are such factors as responsibility, skill, effort and working conditions”.

RATIONALE OF JOB EVALUATION STUDY

Job evaluation is the rating of jobs according to a specifically planned procedure in order to determine the relative size and worth of each job. It examines the contents and requirements of jobs and measures these against a standard scale. This results in job grades, scores, levels or ratings whereby jobs can be compared with other jobs to determine their relative worth.

The main rationale of job evaluation is to determine relative worth of different jobs in an organisation to serve as a basis for developing equitable salary structure. This results in a



rational rank order of jobs, and job structure based on a system that is readily understood, fair and defensible, for all stakeholders (e.g. management, job-holders and Human Resources). States an ILO Report the aim of the majority of systems of job evaluation is to establish, on agreed logical basis, the relative values of different jobs in a given plant or machinery i.e. it aims at determining the relative worth of a job. The principle upon which all job evaluation schemes are based is that of describing and assessing the value of all jobs in the firms in terms of a number of factors, the relative importance of which varies from job to job. The rationale of doing job evaluation in organisations, to put in a more orderly manner is to:

1. Provide a standard procedure for determining the relative worth of each job in a plant.
2. Determine equitable wage differentials between different jobs in the organisation.
3. Eliminate wage inequalities.
4. Ensure that like wages are paid to all qualified employees for like work.
5. Form a basis for fixing incentives and different bonus plans.
6. Serve as a useful reference for setting individual grievances regarding wage rates.
7. Provide information for work organisation, employees' selection, placement, training and numerous other similar problems.
8. Provide a benchmark for making career planning for the employees in the organisation.

The basic steps for developing a job evaluation in your organization are shown in figure 1.

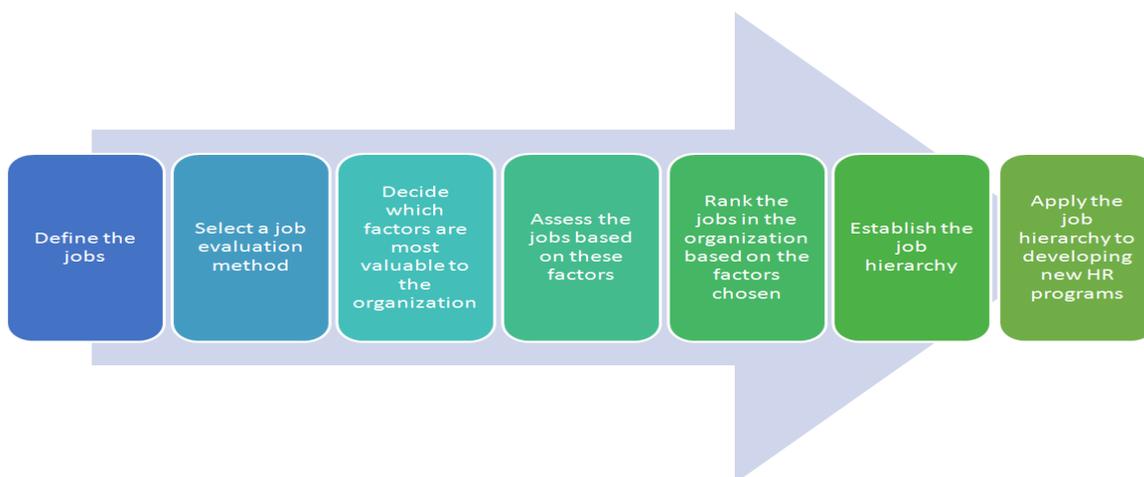


Figure 1: Steps for job evaluation



TABLE 2: Merits and Demerits of Job Evaluation

Merits	Demerits
1. It helps in developing an equitable and consistent wage and salary structure.	1. Job evaluation is susceptible because of human error and subjective judgment.
2. By eliminating wage differentials within the organisation, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.	2. There is a variation between wages fixed through job evaluation and market forces. The jobs which tend to rate high as compared with the market are those of junior, nurse and typist, while craft rates are relatively low.
3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.	3. When job evaluation is applied for the first time in an organisation, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.
4. It provides a logical basis for wage negotiations and collective bargaining.	4. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
5. In the case of new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.	5. Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.
6. In the modern times of mechanisation, performance depends much on the machines than on the worker. In such cases, job evaluation provides the realistic basis for determination of wages.	6. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
7. Job evaluation rates the job, not the workers. Organisations have large number of jobs with specialisations. It is job evaluation which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.	7. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organisation.



MANAGERIAL IMPLICATIONS OF JOB EVALUATION

Job evaluation has assumed greater significance in organizations currently due to its multifaceted usefulness in human resource management. It establishes worth of a job in comparison to other jobs and indicates hierarch of jobs in organization. The job evaluation is also useful for human resource department for structuring organizational activities as well as developing relationship among all jobs. It avoids industrial relation problems between employees and employer by designing commensurate compensation without any inequality in wage and salary structure. Human Resource Mangers when launching job evaluation exercise must take note of:

- A job evaluation scheme should be chosen cautiously. It should be devised and administered on the basis of employment market, demand for labour, bargaining power of the parties & job conditions.
- The details of the scheme should be drawn up in such a way that they do not conflict with other provision of a collective agreement.
- The scheme should be sold to all concerned and suggestions sought.
- Give major importance that the number of job titles and classification be kept to a minimum.
- Any anticipated changes in methods should be carried out before a scheme is installed and all modifications in it should be resisted until it becomes fully established.
- In preparing job descriptions it is a sound practice to emphasis in them the things which makes one job different from another rather than to find a comprehensive statement of all the duties of the job.
- The better the state of industrial relations the easier it is to introduce a job evaluation scheme.

The structured management and organisation of jobs in all businesses, functions, and regions has become a prerequisite for multinationals and a key accountability for HR.

Job evaluation also can assist in the area of equal pay. By assessing jobs based on their contributions to the company bottom line, rather than simply relying on titles and market value, HR can create greater internal pay equity, meet equal pay obligations, and better satisfy commitments to affected and interested parties - both inside and outside the organisation. These are all important steps as this issue gains increasing importance and



visibility. Evaluating jobs involves a good deal of judgment. Some best practices to consider when introducing or developing a job evaluation system are shown in figure 2.

Equal pay law – in particular the equal value regulations – has important implications for job evaluation. Care must be taken that any job evaluation scheme is non discriminatory in its effects and is linked to a payment system where employees performing work of equal value are rewarded equally, regardless of their sex. When designing a job evaluation scheme it is particularly important to bear in mind that only analytical schemes are likely to be capable of demonstrating an absence of sex bias.



Figure 2: Best Practices of Job Evaluation

GLOBAL JOB EVALUATION STUDY

To help guide organisations, Mercer launched a global **Job Evaluation** study in early 2015 to gauge attitudes towards, and benefits and return on investment (ROI) derived from, implementing job evaluation. The study findings support HR professionals looking to grow their internal talent while at the same time bringing clarity, consistency, and control to their organisations.

- a. **Clarity:** Job evaluation allows transparency and better communication regarding the employee value proposition. Indeed, 65% of organisations that participated in the study found transparency to be its main benefit. Over one-third of organisations (37%) cited global career path development as a benefit. With job evaluation also



comes better understanding of organisational and functional structures. It supports HR in making informed decisions on rewards, staffing, employee mobility, and succession planning. Almost all respondents, 96%, said job evaluation benefited them in the area of compensation and benefit planning.

- b. **Consistency:** Given the economic uncertainty in recent years, companies have placed more emphasis on grading systems to achieve consistent, controlled, and equal treatment of the workforce- and it pays off. Most organisations would claim to pay about 60% of their people “about right”, with the balance being either over- or under-paid in equal measure. Job evaluation plays a crucial role in the creation of compensation consistency as it supports the development and management of international workforce grading systems. Eight out of 10 respondents cited uniformity and consistency in grading systems as the strongest factor supporting the overall business strategy.
- c. **Control:** The study revealed that companies using a proven job evaluation methodology are much more effective in supporting business leaders in making decisions, managing increased organisational complexities, and controlling labour costs and investments. In fact, 67% of participants reported that their investment in job evaluation paid off in reducing the risk of misallocating resources and ensuring an optimal return on investment in people. And, 83% achieved annual compensation and benefit cost savings due to job evaluation. Companies say they achieve a return on investment in less than three years. HR can add financial value through investing in the right talent, as well as saving labour costs.

World at Work Survey Study: Job Evaluation And Market Pricing Practices

This report summarizes the results of an August 2013 survey of World at Work members to measure the growing trend in the use of market pricing to evaluate job worth. On August 21, 2013, survey invitations were sent electronically to 5,868 **World at Work** members. Members invited to participate were randomly selected from those who have the word “compensation” in their title. The survey closed on Sept. 6, 2013, with 970 responses, a 17% response rate. The final data set was cleaned, resulting in a final data set of 871 responses. The results of the survey are summarised in figures 3, figure 4, figure 5 and figure 6.



Option	Percent
We do not have a written compensation philosophy.	28%
We have a written compensation philosophy, but the job evaluation method is not included.	35%
We have a written compensation philosophy and the job evaluation method is included.	37%

Figure 3: Communication of compensation philosophy for employees (n=869)

	Ranking	Classification	Point-factor	Job component	Market pricing
Senior management (n=828)	4%	5%	16%	2%	73%
Middle management (n=845)	4%	8%	18%	2%	69%
Professional (n=840)	3%	8%	18%	2%	70%
Sales (n=704)	3%	9%	16%	1%	70%
Administrative (n=840)	3%	10%	18%	2%	67%
Production (n=688)	3%	13%	15%	2%	67%

Figure 4: Primary method of job evaluation used by organizations

	Newly created job	Broad-based review of department/unit/org. as a whole	By request (e.g., perceived inequity by manager, etc.)	Significant change in job (e.g., job responsibilities evolve)	Fixed schedule	Other
Senior management (n=816)	88%	43%	64%	75%	15%	3%
Middle management (n=829)	88%	49%	76%	82%	10%	3%
Professional (n=821)	86%	50%	79%	82%	10%	3%
Sales (n=668)	85%	48%	74%	77%	10%	3%
Administrative (n=823)	84%	47%	75%	80%	10%	3%
Production (n=637)	83%	47%	71%	74%	13%	4%

Figure 5: Reason for doing job evaluation in organizations

	Very effective	Somewhat effective	Not effective
Senior management (n=807)	49%	44%	6%
Middle management (n=820)	47%	46%	7%
Professional (n=817)	48%	46%	6%
Sales (n=671)	44%	49%	7%
Administrative (n=817)	48%	46%	6%
Production (n=636)	46%	48%	6%

Figure 6: Effectiveness of organisations Job Evaluation plan



PRINCIPLES OF JOB EVALUATION PROGRAMME

Job evaluation programme should be implemented carefully. The following **principles** help in successful implementation of the programme:

- Rate the job but not the employee. Rate the elements on the basis of the job demands.
- The elements selected for rating should be easily understood.
- The elements should be defined clearly and properly selected.
- Employees concerned and the supervisors should be educated and convinced about the programme.
- Supervisors should be encouraged to participate in rating the jobs.
- Secure employee cooperation by encouraging them to participate in the rating programme.
- Discuss with the supervisors and employees about rating but not about assigning money values to the points.
- Do not establish too many occupational wages.

CONCLUSION

A job evaluation scheme should be chosen cautiously. It should be devised and administered on the basis of employment market, demand for labour, bargaining power of the parties and job conditions. Job evaluation is part of the organisation's human resource planning process. Once the overall strategy and objectives have been determined and the structure has been developed, the next step is to establish the required level of human resources, i.e. to get the right people with the right skills in the right place at the right time. This in turn means having effective selection process and all the necessary system to ensure the retention and motivation of staff. Part of this process will inevitably involve deciding on the relative size of jobs if no other reason than to ensure that pay is at a level that will attract people and more importantly, that those within the organisation will feel that bigger jobs receive bigger reward.

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