Chapter 5

Evaluating Work:
Job Evaluation
Learning Objectives

After studying Chapter 5, students should be able to:

1. Discuss the relationship between job analysis, job evaluation, internal alignment, and internal structure.
2. Know the basic steps in a point plan, the most commonly used job evaluation method.
3. Explain the advantages and disadvantages of using multiple job evaluation plans in an organization.
4. Understand the necessity of balancing tight control versus absolute lack of control.
Many Ways to Create Internal Structure

Business and Work-Related Internal Structure

Person-based

Skill
(Chapter 6)

Competencies
(Chapter 6)

Job-based

PURPOSE
Collect, summarize work information
Determine what to value
Assess value
Translate into structure

Job analysis
Job descriptions
Job-based structure

Job evaluation:
classes or compensable factors

Factor degrees and weighting

(Chapter 4)

(Chapter 5)

(Chapter 5)
Job Evaluation

- Process of systematically determining the relative worth of jobs to create a job structure for the organization.
- The evaluation is based on a combination of job content, skills required, value to the organization, organizational culture, and the external market.
- This potential to blend internal forces and external market forces is both a strength and a challenge to job evaluation.
Determining an Internally Aligned Job Structure

Some Major Decisions in Job Evaluation
- Establish purpose of evaluation
- Decide whether to use single or multiple plans
- Choose among alternative approaches
- Obtain involvement of relevant stakeholders
- Evaluate plan’s usefulness

Internal alignment
Job analysis
Job description
Job evaluation
Job structure

Work relationships within the organization
### Aspects of Job Evaluation

<table>
<thead>
<tr>
<th><strong>Job Evaluation is:</strong></th>
<th><strong>Assumption</strong></th>
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<tbody>
<tr>
<td>A measure of job content</td>
<td>Content has an innate value outside of external market.</td>
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<tr>
<td>A measure of relative value</td>
<td>Relevant groups can reach consensus on relative value.</td>
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<tr>
<td>Link with external market</td>
<td>Job worth cannot be specified without external market information.</td>
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<td>Measurement device</td>
<td>Honing instruments will provide objective measures.</td>
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<tr>
<td>Negotiation</td>
<td>Puts face of rationality to a social / political process.</td>
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<td></td>
<td>Establishes rules of the game.</td>
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<td>Invites participation.</td>
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Job Content Approach: Key Decisions

- Single Vs. Multiple Plans
- Which Job Evaluation Method
- Which Compensable Factors
- How Many Factors
- Number and Definition of Degrees
- How Many Points to Allow
- Relative Weight of the Factors
- How to Allocate Points Across Factors and Degrees
- Benchmarks to Evaluate
- Who Evaluates
Job Evaluation Methods

- **Job Ranking**
  - Raters examine job description and arrange jobs according to value to company

- **Job Classification**
  - Classes or grades are defined to describe a group of jobs.

- **Point Method**
  - Numerical values are assigned to specific job components; sum of values provides quantitative assessment of job’s worth (Hay Guide Chart-Profile Method)
## Comparison of Job Evaluation Methods

<table>
<thead>
<tr>
<th>Method</th>
<th>Advantage</th>
<th>Disadvantage</th>
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<tbody>
<tr>
<td>Ranking</td>
<td>Fast, simple, easy to explain.</td>
<td>Cumbersome as number of jobs increases. Basis for comparisons is not called out.</td>
</tr>
<tr>
<td>Classification</td>
<td>Can group a wide range of work together in one system.</td>
<td>Descriptions may leave too much room for manipulation.</td>
</tr>
<tr>
<td>Point</td>
<td>Compensable factors call out basis for comparisons.</td>
<td>Can become bureaucratic and rule-bound.</td>
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</table>
The Point Plan Process (1 of 2)

Step One: Conduct Job Analysis
- A representative sample of benchmark jobs
- The content of these jobs is basis for compensable factors

Step Two: Determine Compensable Factors
- Based on the work performed (what is done)
- Based on strategy and values of the organization (what is valued)
- Acceptable to those affected by resulting pay structure (what is acceptable)
The Point Plan Process (2 of 2)

Step Three: Scale the Factors
- Use examples to anchor

Step Four: Weight the Factors
- Can reflect judgment of organization leaders, committee
- Can reflect a negotiated structure
- Can reflect a market-based structure

Step Five: Apply to Non-benchmark Jobs
Characteristics of Benchmark Jobs

- The contents are well-known, relatively stable, and agreed upon by the employees involved.
- The supply and demand for these jobs are relatively stable and not subject to recent shifts.
- They represent the entire job structure under study.
- A majority of the work force is employed in these jobs.
Compensable factors are paid-for, measurable qualities, features, requirements, or constructs that are common to many different kinds of jobs.

These factors are qualities intrinsic to the job and must be addressed in an acceptable manner if the job is to be performed satisfactorily.
In addition to being quantifiable, *compensable factors* should be relatively easy to describe and document.

Those involved in using *compensable factors* to measure job worth should consistently arrive at similar results.
Universal Compensable Factors

◆ *Skill:* the experience, training, ability, and education required to perform a job under consideration - *not* with the skills an employee may possess.
Universal Factor - Skill

- Technical Know-how
- Specialized Knowledge
- Organizational Awareness
- Educational Levels
- Specialized Training
- Years of Experience Required
- Interpersonal Skills
- Degree of Supervisory Skills
Universal Compensable Factors

- **Effort**: the measurement of the physical or mental exertion needed for performance of a job
Universal Factor - Effort

- Diversity of Tasks
- Complexity of Tasks
- Creativity of Thinking
- Analytical Problem Solving
- Physical Application of Skills
- Degree of Assistance Available
Universal Compensable Factors

- **Responsibility**: the extent to which an employer depends on the employee to perform the job as expected, with emphasis on the importance of job obligation.
Universal Factor - Responsibility

- Decision-making Authority
- Scope of the organization under control
- Scope of the organization impacted
- Degree of integration of work with others
- Impact of failure or risk of job
- Ability to perform tasks without supervision
Universal Compensable Factors

**Working Conditions:**
- hazards
- physical surroundings of the job.
Universal Factor - Working Conditions

- Potential Hazards Inherent in Job
- Degree of Danger Which Can be Exposed to Others
- Impact of Specialized Motor or Concentration Skills
- Degree of Discomfort, Exposure, or Dirtiness in Doing Job
To facilitate the use of compensable factors within a job evaluation method it is common practice to classify the factors into three major categories:

1. Universal Factors
2. Sub-Factors
3. Degrees or Levels
Example: The Hay System

- **Know-How**
  - Practical, Specialized, & Technical Breadth
  - Breadth of Management
  - Human Relations

- **Problem Solving**
  - Thinking Environment
  - Thinking Challenge
Example: The Hay System

- Accountability
  - Freedom to Act
  - Magnitude
  - Impact
    a) Remote
    b) Contributory
    c) Shared
    d) Primary
How Many Points to Allow?

- Relative Weight of the Factors
- How to Allocate Points Across Factors and Degrees
### Overview of the Point System

<table>
<thead>
<tr>
<th>Job Factor</th>
<th>Weight</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Education</td>
<td>50%</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>2. Responsibility</td>
<td>30%</td>
<td>75</td>
<td>150</td>
<td>225</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>3. Physical effort</td>
<td>12%</td>
<td>24</td>
<td>48</td>
<td>72</td>
<td>96</td>
<td>120</td>
</tr>
<tr>
<td>4. Working conditions</td>
<td>8%</td>
<td>25</td>
<td>51</td>
<td>80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Who Should Be Involved?

- The Design Process Matters
- Appeals / Review Procedures
- “I Know I Speak for All of Us When I Say I Speak for All of Us”
The key product is an ordered listing of jobs based on their value to the organization. The hierarchy not only provides information about which jobs are most and least valued, but it also provides information about the relative amount of difference between jobs.
Resulting Internal Structures: Job, Skill, and Competency Based

Managerial Group
- Vice Presidents
- Division General Managers
- Managers
- Project Leaders
- Supervisors
  - Job Evaluation

Technical Group
- Head / Chief Scientist
- Senior Associate Scientist
- Associate Scientist
- Scientist
- Technician
  - Competency-Based

Manufacturing Group
- Assembler I
- Packer
- Inspector I
- Materials Handler Inspector II
- Assembler II
- Drill Press Operator
- Rough Grinder
- Machinist I
- Coremaker
  - Skill-Based

Administrative Group
- Administrative Assistant
- Principal Administrative Secretary
- Administrative Secretary
- Word Processor
- Clerk / Messenger
  - Job Evaluation
Summary

- The differences in the rates paid for different jobs and skills affect the ability of managers to achieve their business objectives.
- Differences in pay matter.
- They matter to employees, because their willingness to take on more responsibility and training, to focus on adding value for customers and improving quality of products, and to be flexible enough to adapt to change all depend at least in part on how pay is structured for different levels of work.
Differences in the rates paid for different jobs and skills also influences how fairly employees believe they are being treated. Unfair treatment is ultimately counterproductive.

Job evaluation has evolved into many different forms and methods. Consequently, wide variations exist in its use and how it is perceived.

No matter how job evaluation is designed, its ultimate use is to help design and manage work-related, business-focused, and agreed-upon pay structure.
Review Questions

1. How does job evaluation translate internal alignment policies in practice? What does (a) flow of work, (b) fairness, and (c) directing people’s behaviors toward organization objectives have to do with job evaluation?

2. Why are there different approaches to job evaluation? Think of several employers in your area. What approach would you expect them to use? Why?

3. What are the advantages and disadvantages of using more than one job evaluation plan in any single organization?
4. Why bother with job evaluation? Why not simply market price? How can job evaluation link internal alignment and external market pressure?

5. Consider your college or school. What are the compensable factors required for your college to evaluate jobs? How would you go about identifying these factors? Should the school’s educational mission be reflected in your factors? Or are generic factors okay? Discuss.

6. As the manager of a 10 person workgroup, how do you reassure the group when they learn their jobs are going to be evaluated?