Overview

Job evaluation is a logical process. Most systems work by giving a weighting to key factors in a job that affect how much someone is paid. We call these 'compensable factors'. One approach is to have a range of points that you choose from, as you compare your ‘real’ job factors against a model. You'll probably have heard of this as the 'points' system.

These points will give you a ‘value’ for the job, which you can then compare with the values of other jobs in your organisation. You can convert these points to fractions of a dollar, and this can give you a framework for a structured salary system. And don’t forget, when you do a job evaluation on existing positions you are focusing only on the position and not the person occupying it. This resources will outline how the points systems and other job evaluation systems work.

Key terms

Compensable factors

In remunerations management, the yardsticks that determine what the organisation is paying the employee for. Identifying compensable factors is part of the process of job evaluation in order to determine pay.

Job evaluation

A process of determining the relative value of one job to another within an organisation.

What is job evaluation?

Job evaluation is a set of techniques that are designed to objectively place a value on a job and determine its place in the organisational hierarchy. Its aims are to:
1. Objectively value each job so as to form the basis of a simple, rational wage structure.
2. Provide a means of classifying new or changed jobs.
3. Maintain internal relativities.
4. Establish a basis for employee performance measures.
5. Reduce pay disputes and provide information for wage negotiations.
6. Provide incentives for employees to strive for higher-level jobs.
7. Provide a means of comparing jobs and pay rates with those of other organisations.
8. Provide data on job relationships for use in staff selection and human resources planning.

**Job analysis**

The job analysis is done before the job evaluation - it provides you with an objective foundation for your job evaluation. Job analysis is a procedure for gathering and analysing three basic aspects of a job:

- content
- requirements
- context.

You are most likely already familiar with the tools of job analysis - the job description and the job specification.

**Compensable factors**

The next step in job evaluation is to determine what the organisation is paying for - what aspects of jobs place one job higher in the hierarchy than another. These yardsticks are called ‘compensable factors’.

To be useful in comparing jobs, compensable factors should possess certain characteristics.

- They must be present in all jobs.
- The factor must vary in degree. (If the factor is found in equal amounts in all jobs it would be useless as a basis for comparison.)
- If two or more factors are chosen, they should not overlap in meaning.
- Employer, employee and union viewpoints should be reflected in the factors chosen.
- Compensable factors must be demonstrably derived from the work performed.
Table 1: Compensable factors (2 cols)

<table>
<thead>
<tr>
<th>Skill</th>
<th>Work content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work experience</td>
<td>Difficulty of work</td>
</tr>
<tr>
<td>Qualifications</td>
<td>Complexity</td>
</tr>
<tr>
<td>Education</td>
<td>Physical demand</td>
</tr>
<tr>
<td>Initiative</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Working conditions</th>
</tr>
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<tbody>
<tr>
<td>Supervision of others</td>
<td>Work environment</td>
</tr>
<tr>
<td>Care of materials or</td>
<td>Hazards/risks</td>
</tr>
<tr>
<td>equipment</td>
<td></td>
</tr>
<tr>
<td>Decision making/authority level</td>
<td>Interpersonal relations</td>
</tr>
<tr>
<td>Reports/records made</td>
<td></td>
</tr>
<tr>
<td>Security/confidentiality</td>
<td></td>
</tr>
</tbody>
</table>

How is a job evaluation done?

There are a number of techniques for conducting a job evaluation; here are six.

Ranking method

This method simply ranks one job against another. It is the simplest form of job evaluation.

Developing a job ranking consists of the following steps.

1. Obtain job information - Job descriptions are prepared.
2. Select raters and jobs to be rated - If all jobs in the organisation are to be ranked, it may be wise to start with a key job. Another approach is to rank jobs by department and later dovetail the rankings.
3. Select compensable factors - If judgements are to be comparable, compensable factors must be selected and defined. Even as broad a factor as job difficulty or importance is sufficient. However, the ranking system compares the ‘total job’, therefore compensable factors are only useful in making your mental comparison.
4. Rank jobs - The evaluator compares two jobs, one with the other, and judges which is more difficult. Once this determination has been made, another job is compared with the first two and a similar decision is made. The process is repeated until all jobs have been ranked, from the most difficult down to the least difficult.
In refining the ranking system several techniques have evolved.

**Paired comparison**

Jobs are isolated into groups and each job is compared with others in that group, in order to be ranked above or below it. Thus, a final order is established resulting in grading or classifications. In practice this is done with a matrix on which job titles have been recorded. Raters compare each job at least once. When comparing each pair of jobs, the job that is judged higher is marked. At the end the jobs with the most marks are ranked over those with the least. They then can be placed in grades.

- **Straight ranking** - feasible for a limited number of jobs (20 or less). Involves ordering cards on which job titles or short briefs have been written into a hierarchy.

- **Alternation ranking** - Raters are provided with a form on which a list of job titles to be ranked appears on the left and an equal number of blanks appear on the right. Raters are asked to record at the top of the right-hand column the job title they adjudge the highest, and cross out that title in the list to the left. Then they record the lowest job in the bottom blank and the remaining jobs in between, crossing out the job titles from the left hand list along the way.

- **Combine ratings** - It is advisable to have several raters rank the jobs independently. The rankings are then averaged, yielding a composite ranking that is sufficiently accurate.

**Classification method**

This method involves defining a number of classes or grades, and placing jobs against those grades.

The primary task is to describe each of the classes so that no difficulty is experienced in fitting each job into its proper niche. Jobs are then classified by comparing each job with the class description provided. This method has been widely used by the State and Federal public service.

This method of comparing jobs has the major advantage that most organisations, and employees as well, tend to classify jobs. It is generally easy to secure agreement about the classification of most jobs.

If jobs are thought of as belonging in a certain grade many problems of compensation administration become easy to solve.

Developing a job classification system requires the following steps:

1. Obtain job information.
2. Select compensable factors.
3. Determine the number of classes.
4. Develop class descriptions.
5. Classify jobs.

Points system

Under this system certain factors of the job are isolated and given a value or weighting. These factors tend to be standardised throughout the organisation. The rating scales may be thought of as a set of rulers to measure jobs. The rating scales are developed into a job evaluation manual. 

*There is a sample job evaluation in this resource - you may download it from the same place where you got this worksheet.*

A job evaluation manual is the authoritative source of information for those who assist in setting up the job evaluation plan as well as for the new committee members and others after the plan has been installed. It serves as a reference to determine the relative worth of jobs and sets the pattern to guide analysts, committee members, and so on.

Manuals usually contain:

- an outline of the process of evaluation
- a number of factors and sub factors, degrees and points in the job evaluation plan
- definitions of each factor, sub factor and degree
- examples of job descriptions
- a list of key/benchmark jobs.

**Arithmetic and geometric progression points tables**

Arithmetic and geometric progression tables are part of the points-based job evaluation process.

The choice of either using arithmetic or a geometric progression is a decision for the evaluator and will be based on their perception of the differences between the degrees.

- **Arithmetic progression** is appropriate when the jobs are simple.
- **Geometric progression** is used when the jobs are complicated and each difference is significant and important and needs to be recognised and rewarded.

A points table is developed to rank the chosen compensable factors in importance and assign a relative value (%) or weighting. Weightings may be
of equal value for some compensable factors or of different value reflecting the importance of some factors over others.

As each job is different and the factors vary in importance for different jobs, each factor can be divided into degrees of difficulty.

Jobs are assessed in terms of importance and degree of difficulty.

Factors, weightings and degrees are then placed in a table and points are allocated to each position in the table.

Factor comparison

This compares jobs on several factors and obtains a numerical value for each job as well as a job structure. It is classified as a quantitative method. Factor comparison involves judging which jobs contain more of certain compensable factors. Jobs are compared with one another, but on one factor at a time.

Basic method:
1. Analyse jobs - Job descriptions are written in terms of five universal factors.
2. Select key jobs - A committee selects 15 - 25 jobs. This is critical because the entire method is based upon these jobs.
3. Rank key jobs - Key jobs are ranked on each of the five factors. This is done individually by committee members, who then meet as a group. The jobs are called ‘tentative’ key jobs and remain that way until they are eliminated or become true key jobs.
4. Distribute wages across factors - Decide for each key job how much of its wage rate should be allocated to each factor.
5. Construct a job - Comparison scale.
6. Use the job - Comparison scale to evaluate remainder of the jobs.

Job evaluation committees

The role of the job evaluation committee is to determine the worth or value of jobs to the organisation, through analysing job descriptions, interviewing employees and managers and, if necessary, conduct workplace inspections. The composition of the committee needs to be representative of the organisation, highly skilled in job evaluation techniques, highly knowledgeable of jobs, organisational activities and goals, honest and interested in salary equity, capable of objectivity and able to present to senior management.
Think

What types of staff would be members of a job evaluation committee?
What roles would they perform?

Completing the job evaluation process

Once jobs are evaluated and adequate information obtained, it is necessary to determine the relationship between differences in the value of each job and variations in each pay rate. In many cases a compromise will have to be made between market value and job value, as in many skilled job areas the two will not coincide. Frequent adjustments to values may need to be made in such areas.

Try it

Look at the sample job evaluation manual that goes with this resource - you may download it from the same place you got this worksheet.

Using two or more jobs you know in an operational, administration or sales area, allocate points in one of the points tables for these jobs. Use different coloured pens for each job. How do the jobs differ in your evaluation?

Proprietary job evaluation systems

Commercially purchased job evaluation systems such as those developed by the Hay Group, Mercer Cullen Egan Dell and Watson Wyatt are the most common points-based systems in use. The systems vary in approach, cost and complexity but all use a series of compensable factors as the basis upon which evaluation about the job are made.

One of the many benefits of the internationalisation of Australian industry has been the exposure to a greater, more flexible range of reward systems.
The private sector remuneration environments (which account for over two-thirds of our workforce) have embraced the concept of ‘person’ or merit-based pay, albeit reluctantly.

This resource is adapted from material added by Deborah Evans (2003) to Teacher Guide for Manage Remuneration and Benefits 9795J, TAFE NSW Business and Public Administration Division; used with permission.