

## **COURSE: REWARD MANAGEMENT**

### **LECTURE 12: JOB EVALUATION**

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#### **Lecture learning outcomes:**

**At the end of the lecture, you will be able to:**

1. Understand the various terms of job evolutions
2. Define the term job evolution
3. Outline the objectives of job evolution
4. Discuss the principles of job evaluation
5. Explain the criteria for job evaluation
6. Discuss the process of job evaluation
7. Examine the computerized job evaluation

### **JOB EVALUATION**

Job Evaluation is a systematic process of determining the worth of one job in relation to another job in the organisation. During job evaluation, the relative worth of various jobs are assessed so that wages can be paid depending upon the worth of the job. To improve the performance and maintain the high level of efficiency in work, employee should be compensated with wages and salaries depending upon the job he is performing.

Wigley explains evaluation as a data reduction process that involves the collection of large amounts of data which are analyzed and synthesized into an overall judgment of worth or merit. The implication here is that the judgment of worth can be supported by the data. The objective of this process is to determine the correct rate of pay. 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 other words, job evaluation is the rating of jobs in an organization. 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. Scott, Clothier and Priegel defines job evaluation as “the operation of evaluating a particular job in relation to other jobs either within or outside the organization”. While Dale Yoder describes 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”.

According to the International Labour Organization (ILO), “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”.

### **Objectives of job evaluation**

The main objective of job evaluation is to ensure equitable remuneration for relative worth of a job. As per the 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”.

1. Establish a standard procedure for determining the relative worth of each job in an organization
2. Ensure equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization
3. Determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry
4. Eliminate wage inequalities
5. Use as a basis for fixing incentives and different bonus plans
6. Promote a fair and accurate consideration of all employees for advancement and transfer
7. Provide information for work organization, employees’ selection, placement, training and other similar purposes
8. Provide a benchmark for making career planning for the employees in the organization
9. Ensure that like wages are paid to all qualified employees for like work

### **Principles of job evaluation**

The job evaluation has certain principles. These principles are supposed to be kept in the mind of the job evaluators. These principles are not only directives of proper job evaluation but also provide clarity in the process of evaluation. According to Kress, these principles are:

1. Rate the job and the jobber. Each element should be rated on the basis of what the job itself requires
2. The elements selected for rating purposes should be easily explainable in terms and a few in numbers as will cover the necessary requisites for every job without any overlapping
3. The elements should be clearly defined and properly selected
4. Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan
5. Foreman should participate in the rating of jobs in their own departments

6. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings and
7. Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values

### **Job Evaluation Criteria**

The system of job evaluation utilises a total of eight measurement factors. The various factors analyse a position in relation to the skills and experience required for competent performance, the demands made on the job and the overall structure and responsibility/accountability involved. A point rating is derived for each factor and the sum of these points represents the total point's value of the job.

**Basic Evaluation Rules:** The basic rules for evaluating each position are:

1. The current position is evaluated without being influenced by what the job is likely to be in the future or what it may have been in the past.
2. The position is evaluated and not the job holder. The assessment of each factor is based on the job being performed competently. The assessment of the job holder's own performance against the standard required is a quite separate exercise which is outside the scope of the job evaluation rating.

**The Job Evaluation Factors:** The job evaluation system comprises the following factors:

In some cases minor changes to the wording are used to define factors and levels made in order to better align the methodology with the client's culture and environment. Where this is done, great care is taken to ensure inter-organisation consistency is not compromised. The primary factor in determining compensation is an evaluation of work performed. The internal worth of a job is evaluated based upon factor like - Know-How, Problem Solving, and Accountability, Education, Experience, Complexity involved in the job, Scope of job, Supervision received and, Authority Exercised.

1. Know-How – The knowledge, skill and experience required for standard acceptable performance. It considers the requirement for technical and professional skills, expertise and experience, the amount of planning and organising required and the requirement to work with and through others.
2. Problem Solving – the thinking required for analysing, evaluating, creating, reasoning, arriving at and drawing conclusions; the extent to which this thinking is covered by precedents or circumscribed by standards; and the degree of creativity or original thought required.
3. Accountability – The degree to which the employee is held accountable for taking action and for the consequences of that action. It is the measured effect of the job on end results. The freedom to act measured through the existence or absence of constraints by managers, committees and procedures and the impact of that action on the organization
4. Education - The level of formal education required to perform the functions required of a position. There is often an overlap between education and experience, and for this reason

it is often advisable to consider the education level that would be expected of a new incumbent recruited externally.

5. Experience - The length of practical experience and nature of technical/managerial familiarity required. This experience is in addition to formal education.
6. Complexity – measured in terms of:
  - (a) the time taken to learn and adjust to specific job requirements,
  - (b) the level to which the job functions are defined and follow established and predictable patterns and,
  - (c) the thinking challenge required to adapt to rapidly changing circumstances and innovative or conceptual thinking needed to initiate new corporate direction.
7. Scope of Job - The complexity and scope of work factors tend to be related to the education and experience level required of a position. The calculation of points for each of these factors is based on the application of a percentage rating of the sum of the points derived in the evaluation of Education and Experience.
8. Supervision Received -The extent of supervision, direction or guidance imposed on the job holder and the freedom the executive has to take action.
9. Authority Exercised - Authority level expressed in terms of routine expenditure, capital expenditure and investments, granting of loans, hiring and firing staff, etc.

## **Job Evaluation Process**

Job Evaluation is a technique to rank jobs in an organization on the basis of the duties and responsibilities assigned to the job. The job evaluation process results in a job being assigned to a pay grade. The pay grade is associated with a pay range that is defined by a minimum and a maximum pay rate.

### **Step One**

Job Description - The position supervisor assigns duties and writes the job description. If there is an incumbent employee, s/he reviews it, and they both sign it. Instructions and additional assistance are available from Human Resources, if needed. The job description is a snapshot of the job as it presently exists, reflecting the current duties and responsibilities of the job and/or the incumbent.

### **Step Two**

Approval - The vice president reviews job descriptions and, if s/he concurs, approves the responsibilities, requirements, and departmental organization contained within a job description presented for new evaluation, and signs it. If the vice president does not concur with the contents of the description, it is returned to the supervisor for changes.

### **Step Three**

Review- Human Resources reviews the job description as submitted with the supervisor prior to evaluation by the Job Evaluation Committee

## **Step Four**

Human Resources help ensure that there is consistency and equity in the job descriptions and titles by editing them for clarity and format. If the Human Resources Office makes changes, the job description is returned to the supervisor and vice president for signature prior to being presented to the Job Evaluation Committee

## **Step Five**

Evaluation - The Job Evaluation Committee (JEC) is a multimember committee, the members of which are appointed by the Staff Salary Administration Committee (SSAC), representing employees throughout organization. JEC ensures equity among jobs through the use of established, consistent criteria for evaluation and prevents escalation of the job evaluation grades by validating changes in job content presented for review. Members of JEC receive in-depth training on job evaluation and utilize a consistently applied point system for the evaluations.

## **Step Six**

Confirmation – confirmation of all job evaluations and titles recommended by JEC.

## **Advantages of job evaluation**

According to the International Labour Organization, job evaluation offers the following advantages:

1. Job evaluation being a logical process and objective technique helps in developing a equitable and consistent wage and salary structure based on the relative worth of jobs in an organization.
2. By eliminating wage differentials within the organization, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.
3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.
4. It provides a logical basis for wage negotiations and collective bargaining.
5. In the case new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.
6. In the modern times of mechanisation, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.
7. 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.
8. Job evaluation rates the job. Organizations have large number of jobs with specialisations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.

## **Limitations/Drawbacks of job evaluation**

In spite of many advantages, job evaluation suffers from the following drawbacks/limitations

1. Job evaluation is susceptible because of human error and subjective judgement. . While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.
2. There is a variation between wages fixated through job evaluation and market forces. Kerr and Fisher says 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. Weaker groups are better served by an evaluation plan than by the market, the former places the emphasis not on force but on equity.
3. When job evaluation is applied for the first time in an organization, 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. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
5. Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.
6. Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.
7. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
8. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organization.

## **Computerized job evaluation**

Much of the time-consuming effort spent on maintaining a job evaluation programme can be reduced by combining personal computers with job evaluation software. Computer-aided system simplifies the administration of job evaluation programmes and provides a more expedient means of processing job evaluation information. Job data can be collected from supervisors by using a structured, machine-scoreable questionnaire. Computer software can be used to analyze the questionnaire responses and perform the job evaluation. With the advent of skill-based pay, which focuses on an employee's education, experience, and skills developed in programmes, a computer programme can update employee knowledge and skills as they are acquired. Pay adjustments are then made to reflect the employee's increased knowledge and skills.

## **Job evaluation methods**

A number of job evaluation methods have been developed since the 1920's, and many, if not most, of them are still used. They all have the same final objective – ranking jobs in terms of their relative worth to the organization so that an equitable rate of pay can be determined for each job. As the

job evaluation is mostly a judgemental process that would probably use one of the job evaluation methods, which are commonly grouped into two major categories: quantitative and non-quantitative. The basic difference between these two methods lies in the sense that, under non-quantitative methods, a job is compared as a whole with other jobs in the organization, whereas in case of quantitative methods, the key factors of a job are selected and, then measured. The most commonly used is non-quantitative methods ranking and job classification or grading method, while the most common quantitative methods are factor comparison and point rating.

### **Non-quantitative methods**

Non-quantitative methods call for the evaluation of a whole job relative to other jobs or to general descriptions of jobs within an organization. For instance, a job description of a customer service representative may be compared to the job description of a word processing specialist. The main role of the evaluator is to determine which of the jobs is more important or worth more to the organization. The major types of non-quantitative job evaluation procedures are ranking and job classification.

### **Ranking Method of job evaluation**

This is simplest form of job evaluation method. The method involves ranking each job relative to all other jobs, usually based on some overall factor like „job difficulty“. Each job as a whole is compared with other and this comparison of jobs goes on until all the jobs have been evaluated and ranked. All jobs are ranked in the order of their importance from the simplest to the hardest or from the highest the lowest. The importance of order of job is judged in terms of duties, responsibilities sand demands on the job holder.

The following steps are involved in ranking jobs.

1. Obtain job information - The first step is job analysis. Job descriptions for each job are prepared and these are the basis on which the ranking s are made. The job ranking method usually ranks jobs according to „the whole job“ rather than a number of compensable factors.
2. Select raters and jobs to be rated - Ranking all the jobs, at a time, is usually not possible. The more usual procedure involves ranking jobs by department or in „clusters“ i.e. factory workers, clerical workers and so on. This eliminates the need for having to compare directly, say, factory jobs and clerical jobs.
3. Select Compensable factors – In the ranking method, it is common to use just one factor, for instance job difficulty, and to rank jobs on the basis of, the whole job“. Regardless of the number of factors you choose, it is advisable to carefully explain the definition of the factor(s) to the evaluators so that they evaluate the jobs consistently.
4. Rank jobs - Next, the jobs are ranked. The simplest way to do this involves giving each rater a set of index cards, each of which contains a brief descript of a job. These cards are then ranked from lowest to highest.
5. Combine Rating - It is usually to have several raters rank the jobs independently. Finally, divide all the ranked jobs into appropriate groups or classifications by considering the common features

of jobs such as similar duties, skills, or knowledge required. All the jobs within a particular group or classification receive the same wage or range of raters. Then, once this is accomplished, the rating committee can simply average the ranking.

### **Job Classification or Grading Method**

This is a simple, widely used method. This method of job evaluation was made popular by the U.S. Civil Service Commission. In the ranking system there is no re-determined yardstick of values. In the job grading approach there is one such yardstick constituting of job classes or grades. Jobs are measured as whole jobs. Under this method job grades or classes are established by an authorised body or committee appointed for this purpose. A job grade is defined as a group of different jobs of similar difficulty or requiring similar skills to perform them. Job grades are determined on the basis of information derived from job analysis. The example of job grades may include, depending on the type of jobs the organization offers, skilled, unskilled, account clerk, clerkcum typist, stenotypist, office superintendent, laboratory assistant and so on.

There are several ways to categorize jobs:

1. One is to draw up, class description“ and place jobs into classes based on their correspondence to these descriptions.

2. Another is to draw up a set of classifying rules for each class and then categorise the jobs according to these rules. The usual procedure is to choose compensable factors and then develop class or grade descriptions that describe each class in terms of amount or level of compensable factor(s) in jobs. Such factors are: 1. Difficulty and variety of work

Supervision received and exercised,

3. Judgement exercised,

4. Originality required,

5. Nature and purpose of interpersonal work relationships,

6. Responsibility,

7. Experience

8. Knowledge required.

The following five steps are generally involved in the process of job classification. 1. Prepare job description for basic information about the job

2. Prepare job grading description for identification of different levels of jobs. Each grade level must be distinct from the grade level adjacent to it. After establishing the grade level, each job is assigned to an appropriate grade level on the basis of the complexity of duties, nonsupervisory responsibilities and supervisory responsibilities

3. Select grades and key jobs about 10 to 20 jobs, which include all the major departments and functions and cover all the grades

4. Grade the key jobs. Key jobs are assigned to an appropriate grade level and their relationship to each other studied.

5. Classify all the jobs on the basis of grade definitions. All the jobs in the same grade receive the same wage or range of rate. For instance, menials may be put into one class; clerks in another; junior officers in a higher class; and the top executives in the top class.

**The job classification method has several advantages.**

The major merits of the method are:

1. This method is easy to understand and simple to operate.
2. It is economical and , therefore, suitable for small organizations.
3. The grouping of jobs into classifications makes pay determination problems easy to administer.
4. This method is useful for Government jobs.

**The job classification method also has some disadvantages.**

The major demerits of the method are:

1. The method suffers form personal bias of the committee members.
2. It cannot deal with complex jobs which will not fit neatly into one grade.
3. This method is rarely used in industries.
4. It is difficult to know how much of a job's rank is influenced by the man on the job.
5. The system is rather rigid and unsuitable for a large organizations or for very varied work.

**Quantitative Methods**

Quantitative methods divide jobs into component parts and require absolute or relative value judgements about how much of a component part a particular job requires. The two most popular types of quantitative systems are the point rating and factor comparison methods.

**Point Rating Method**

This is most widely used system of job evaluation. The method evaluates the compensable factors of each job. It involves a more detailed, quantitative and analytical approach to the measurement of job work. Under this method jobs are broken down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibilities and so on. Thereafter, points are allocated to each of these factors. Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated.

This system requires six steps and is usually implemented by a job evaluation committee or by an individual analyst.

1. Determine critical factors – The points rating method includes the following job factors for allocation of points:

- a) Safety of other;
- b) Equipment of materials;
- c) Assisting trainees;
- d) Production or service quality

2. Determine the levels of factors – Since, the amount of responsibility or other factors may vary from job to job, the point rating method rates several levels associated with each factor. These levels help analysts reward different degrees of responsibility, skill, and other critical factors.

3. Allocate points to sub-factors - With the factors listed down one side and the levels placed across the top, the result is a point method matrix. Starting with highest level, the job evaluation committee subjectively assigns the maximum possible points to each sub-factor. The allocation allows the committee to give very precise weights to each element of the job.

4. Allocate points to levels – Once the total points for each job element are assigned under highest level, analysts allocate points across each row to reflect the importance of the different levels.

5. Develop points manually – Analysts then develop a point manual. It contains a written explanation of each job element. It also defines what is expected for the various levels of each sub-factor. This information is needed to assign jobs to their appropriate levels.

6. Apply the point system – When the point matrix and manual are ready, the relative value of each job can be determined. This process is subjective. It requires specialists to compare job descriptions with the point manual for each sub-factor. The match between the job description and the point manual statement reveals the level and points for each sub-factor of every job. The points for each sub-factor are added to find the total number of points for the job. After the total points for each job are known, the jobs are ranked.

### **The points rating has several advantages.**

- 1. It is the most comprehensive and accurate method of job evaluation
- 2. Prejudice and human judgement are minimised. The method can not be manipulated.
- 3. Being the systematic method, workers of the organization favour this method
- 4. The scales developed in this method can be used for long time.
- 5. Jobs can be easily placed in distinct categories

### **Disadvantages**

The points rating method also has some disadvantages

- 1. It is both time-consuming and expensive method.

2. It is difficult to understand for an average worker.
3. A lot of clerical work is involved in recording rating scales.
4. it is not suitable for managerial jobs wherein the work content is not measurable in quantitative terms.

### **Factors Comparison Method**

This is a combination of both rating and point rating methods. It means rates jobs by comparing them and makes analysis by breaking jobs into compensable factors. This system is usually used to evaluate white collar, professional and managerial positions. The mechanism for evaluating jobs under this method involves the following steps.

1. Determine the compensable factors-Analysts must first decide which factors are common and important in a broad range of jobs. The critical factors like responsibility, skill, mental efforts, physical effort and working conditions are most commonly used. Some organizations use different factors for managerial, professional, sales, and other types of jobs.
2. Determine key jobs – Key jobs are those that are commonly found throughout the organization and are common in the employer’s market. Common jobs are selected because it is easier to discover the market rate for them. Ideally, these benchmark jobs should be accepted by employee as key jobs and should encompass a wide variety of critical factors to be evaluated. Typically, 10-25 key jobs are selected by the committee.
3. Allocation present wages for key jobs – The job evaluation committee then allocates a part of each key job’s current wage rate to each critical factor. The proportion wage assigned to each of the different compensable factors depends on the importance of the factor. The base rate agreed upon by the company.
4. Place key jobs on a factor comparison chart – Once the wage rates are assigned to the compensable factors of each key job, this information is transferred to a factor comparison chart. Key job titles are placed in the factor columns according to the rate of wages assigned to the job for each critical factor.
5. Evaluate other jobs – The titles of key jobs in each column of the factor comparison chart serve as benchmarks; other non-key jobs are then evaluated by fitting them in the rate scale under each factor column.

**The factors comparison has several advantages.**

1. It is more objective method of job evaluation
2. The method is flexible as there is no upper limit on the rating.
3. It is fairly easy method to explain to employees.
4. The use of limited number of factors (usually five) ensures less chances of overlapping and over-weighting of factors.
5. It facilitates determining the relative worth of different jobs.

## **Disadvantages**

1. It is expensive and time consuming method.
2. Using the same five factors for evaluating jobs may not always be appropriate because jobs differ across and within organization.
3. It is difficult to understand and operate.

From the discussion, no method is completely fool proof. In such case, organization may try to adopt a job evaluation method blending all merits of different methods of job evaluation.

The following are suggestions that can help in conducting a successful job evaluation programme.

1. Before launching a job evaluation programme certain issues need to be decided well in advance: employees to be covered, job evaluators – internal or external, consultation of employees and existence of suitable atmosphere for launching of job evaluation programme.
2. An accurate and comprehensive job analysis, job description and job specification should be done.
3. The management's aim in relation to the job evaluation programme should be made clear to all those concerned. There should not be any hidden agenda.
4. All the relevant internal and external factors should be taken into account before arriving at the final shape of the programme.
5. The supervisors should have the complete and concrete knowledge of the programme. They should be in the position to explain the programme to their people and also how it works.
6. The details of the administration of the plan should be made simple to avoid employee's doubts, fears and apprehensions about the plan.
7. Efforts should be made to provide maximum transparency in preparation and implementation of the programme. One way to ensure it is encouraging employees' participation in the programme.
8. Every stage of programme should be given wide publicity through employee publications, notice boards, departmental meetings and even letters to employees' homes.

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