

PART ONE

The process of job evaluation

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Job evaluation fundamentals

01

The aim of this chapter is to provide a conceptual framework for the process of job evaluation. It covers the following topics:

- definition;
- purpose;
- the meaning of value;
- features of job evaluation;
- the basis of job evaluation methodology.

A glossary of job evaluation terms is provided in Appendix A.

Job evaluation defined

Job evaluation is a systematic process for establishing the relative worth of jobs within an organization. The following summary of what job evaluation is and what it is not was provided by ACAS (2014).

Purpose of job evaluation

Job evaluation aims to generate the information required to provide, in the words of Elliott Jaques (1961), 'equitable pay' by using fair, sound and consistent judgements to develop and maintain an internally equitable grade and pay structure. This means paying particular attention to the provision of equal pay for work of equal value.

Table 1.1 What job evaluation is and is not

| Job evaluation is | Job evaluation is not |
|--|--|
| <ul style="list-style-type: none"> ● Systematic ● Consistent ● A good basis for a fair pay system ● A way of getting a hierarchy of jobs on which to ● Base a grading structure | <ul style="list-style-type: none"> ● Scientific ● An exact measurement of duties or ● Tasks performed ● A way of judging a job holder's performance ● A way of allocating pay rates |

An alternative view was provided by Gupta and Jenkins (1991) who argued that the basic premise of job evaluation is that certain jobs 'contribute more to organizational effectiveness and success than others, are worth more than others and should be paid more than others'. This is all right as far as it goes but it neglects the need for internal equity or comparable worth.

The meaning of value

The *Concise Oxford Dictionary* defines value as 'worth' and worth as 'of value equivalent to'. Value, like beauty, can be said to be in the eye of the beholder. And it has a number of different meanings, namely the concepts of intrinsic value, relative value, the labour theory of value and market value.

Intrinsic value

The belief that jobs have intrinsic value that belongs naturally to them because of what they are has strongly influenced traditional job evaluation methods. This particularly applies to schemes in which the value of jobs is measured by scoring them, thus indicating that the worth or 'size' of a job is so many points. But job evaluation points have no meaning in themselves and therefore cannot be used in absolute terms to define the value of a job. The leading pragmatist John Dewey (1916) did not accept intrinsic value as an inherent or enduring property of things. Intrinsic value, he claimed, is always relative to a situation.

Relative value

The value of anything is always relative to the value of something else. It is this notion that governs the comparative nature of job evaluation which aims to establish the relative value of jobs to one another so that internal equity can be achieved. The rates of pay for jobs within the organization are also compared with those outside the organization (market rate comparisons) so that pay levels can be competitive. A grade structure (a sequence or hierarchy of grades, bands or levels into which roles of comparable worth are placed) can signify that the roles grouped into one grade are of greater value than the grade below and of lower value than the grade above. But it can also define levels of responsibility in an organization, thus producing a career structure. A pay structure, which will be influenced by market comparisons, attaches financial values to roles and, where appropriate, pay ranges to grades.

Labour theory of value

The labour theory of value originated by Karl Marx (1867) treats labour as a commodity and states that the value of a product depends on the amount of labour required to produce it. Nielsen (2002) argues that 'job content'-based evaluation methodology, ie valuing jobs by reference to the duties carried out by job holders, is a Marxist approach and is no more relevant today than most of the other views expressed by Marx on political economy. This, he claimed, is because valuing jobs according to their content ignores market considerations.

Market value

The rate of pay for a job or a person is a price like any other price and rates in the external market (market rates) are affected by demand and supply considerations operating in what is likely to be an imperfect market. These affect rates of pay within organizations (the internal market) because they influence the ability of those organizations to attract and retain the sort of people they need. This is the argument used by Nielson (2002) to support market pricing:

Typical job evaluation systems set the prices of jobs by looking at factors that bear no relation to and are abstractions from the jobs themselves. Thus they abrogate the laws of supply and demand that set the prices of goods and services in the marketplace.

Implications

The meanings attached to value can be complementary (intrinsic value, labour theory) or contradictory (labour theory and market value, intrinsic and relative value). To a greater or lesser extent, they can all influence beliefs on what job evaluation is attempting to value and how to set about it. For example, belief in the prime significance of market value may lead to a focus on market pricing, belief in intrinsic value could lead to the use of traditional job content evaluation techniques, and belief in relative value might encourage the use of analytical matching (comparing jobs factor by factor) or market pricing. These beliefs are often subliminal but need to be articulated to achieve a satisfactory and understandable basis for valuing jobs.

Features of job evaluation

Job evaluation as described in this book involves comparisons and judgements about the value or worth of jobs. It is often stated that job evaluation is about jobs, not people. It is indeed not concerned with measuring the performance of people in their jobs but in today's more fluid organizations the work that people actually do is determined not just by a conventional idea of a 'job' but also by their own capability. It is people who create value, not jobs, and roles often evolve in accordance with the strengths and limitations of the people who fill them. Conventional job evaluation schemes may find it difficult to deal with this issue. And when it comes to paying individuals, organizations may feel that they have to take account of their 'market worth' – the value of the person in the marketplace – rather than where job evaluation has placed their job in a hierarchy.

In formal schemes, job evaluation aims to measure the value of jobs. Its other main features are that it is a measurement, comparative, judgemental, structured, and analytical process.

Job evaluation as a measurement process

The assumption made by popular forms of job evaluation such as point-factor schemes and the Hay Guide Chart method is that it is possible to measure job value or worth. In job evaluation circles, reference is often made to the 'size' of jobs. But the ordinal (rank-ordered) numbers used in such schemes have no meaning in themselves and do not, because they cannot, represent any unit of measurement such as the number of items produced. It was noted by Emerson (1991) that 'Ordinal structure without any ties to an empirical measuring system conveys the image of precision without providing any real, substantive measuring tool'. Points give an impression of accuracy but this is an illusion. The numerical scores are based on value judgements and do not produce mathematical certainty. It is perhaps preferable to regard job evaluation as a process for *comparing* job values. Some form of measurement in the form of points scores may be used to assist in comparisons but these do not define value on their own.

Job evaluation as a comparative process

Job evaluation is fundamentally a comparative process. It deals with relationships, not absolutes. Jobs are compared with one another or with a scale (a graduated set of points as in a point-factor scheme or a defined hierarchy of job levels or grades as in a matching scheme or levelling). In some schemes, jobs are analysed into 'factors' (characteristics of the work involved, for example, skill, responsibility, complexity). These may be compared with a scale or with grade or job descriptions analysed under the same factor headings (analytical matching).

Job evaluation as a judgemental process

Job evaluation requires the exercise of judgement in interpreting data on jobs, comparing one job to another and comparing jobs against

scales or factor by factor. It can be described as a subjective process carried out within an objective framework. Or as Graef Crystal (1971) memorably put it: 'Essentially, job evaluation boils down to organized rationalization.' Plachy (1987) commented: 'Job evaluation is not a scientific system; it is a human system. Human beings make mistakes. They lose their objectivity and consistency, no matter hard they try, no matter how great their integrity.'

Job evaluation as a structured process

A formal job evaluation scheme is structured in the sense that a framework is provided which aims to help evaluators make consistent and reasoned judgements. This framework consists of language and criteria used by all evaluators, although, because the criteria are always subject to interpretation, they do not guarantee that judgements will be either consistent or rational.

Job evaluation as an analytical process

Job evaluation is or should be based on a factual description of the characteristics of the jobs under consideration. This means that although judgemental, at least the judgements are informed. However, schemes may be described as analytical in the sense that jobs are analysed and compared in terms of defined factors, or non-analytical in the sense that 'whole jobs' which have not been analysed by factor are compared with one another. Properly designed and executed analytical schemes can help to ensure that judgements are structured and consistent.

The basis of job evaluation methodology

There are many different approaches to job evaluation – from the simple to the sophisticated. It can be conducted through a formal job evaluation scheme such as point-factor rating, matching or levelling that specifies systematic procedures for analysing jobs and criteria for assessing the value or worth of individual jobs and for comparing jobs with one another and placing them in a grade hierarchy. This

is the meaning attached to the term ‘formal job evaluation’ in this book. Details of the different formal methods are given in Chapter 2. At the other extreme, jobs can be evaluated on an entirely informal basis as also described in Chapter 2.

Formal schemes can be used with varying degrees of informality just as an element of formality can be added to an informal approach. Different methods can be combined. Although formal job evaluation may work systematically it should not be treated as a rigid, monolithic and bureaucratic affair. It should instead be regarded as an approach, which may be applied flexibly. Process – how job evaluation is used – can be more important than the system itself when it comes to producing reliable, valid and acceptable results. This book often focuses on formal schemes but this does not mean that the importance of using them informally when appropriate is underestimated.

As defined in this book, formal job evaluation schemes such as point-factor rating, matching and levelling establish internal relativities – how the value or worth of jobs within an organization compare with one another. They do not directly determine rates of pay. However, they are associated with market pricing – the process of analysing market rates to establish external relativities in order to guide the development of a competitive pay structure, ie one in which levels of pay enable the organization to attract and retain the people it needs.

Market pricing

Market pricing can be used in the absence of a formal evaluation scheme to provide direct guidance on internal rates. This can be done systematically as an alternative to formal job evaluation and in effect this determines internal relativities. When market pricing is used like this it has been dubbed by Ellis, Laymon and LeBlanc (2004) as ‘extreme market pricing’. This is not categorized in this book as a formal job evaluation scheme (one entirely concerned with internal relativities) although market pricing is treated as a formal job evaluation method in the United States. Market pricing techniques are examined in Chapter 10.

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