

# Job Evaluation

## Key concepts and terms

- Analytical job evaluation
- Analytical job matching
- Benchmark job
- Computer-aided job evaluation
- Explicit weighting
- Extreme market pricing
- Factor (job evaluation)
- Factor comparison
- Factor level
- Factor plan
- Going rates
- Implicit weighting
- Internal benchmarking
- Internal relativities
- Job classification
- Job evaluation
- Job ranking
- Job size
- Job slotting
- Job worth
- Market driven
- Market pricing
- Market rates
- Non-analytical job evaluation
- Paired comparison ranking
- Point-factor job evaluation
- Proprietary brand
- Tailor-made job evaluation scheme
- Weighting

## Learning outcomes

On completing this chapter you should be able to define these key concepts. You should also know about:

- The aims of job evaluation
- Analytical job evaluation schemes
- Market pricing
- Comparison of schemes
- Designing analytical schemes
- Equal pay considerations
- Approaches to job evaluation
- Non-analytical job evaluation schemes
- Computer-aided job evaluation
- Choice of approach
- Design programme

## Introduction

Decisions about what jobs are worth take place all the time. The decisions may be made informally, based on assumptions about the value of a job in the marketplace or in comparison with other jobs in the organization. Or it may be a formal approach, either some type of job evaluation, as described in this chapter, or a systematic comparison with market rates. It has been asserted by Gupta and Jenkins (1991) 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’.

Evaluating ‘worth’ leads directly or indirectly to where a job is placed in a level or grade within a hierarchy and can therefore determine how much someone is paid. The performance of individuals also affects their pay, but this is not a matter for job evaluation, which is concerned with valuing the jobs people carry out, not how well they perform their jobs.

This chapter covers a definition of job evaluation, formal and informal approaches, analytical and non-analytical formal schemes, market pricing, computer-aided job evaluation, making the choice between approaches, introducing a new or substantially revised scheme and equal pay considerations.

## Job evaluation defined

Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities.

### Aims of job evaluation

- Establish the relative value or size of jobs (internal relativities) based on fair, sound and consistent judgements.
- Produce the information required to design and maintain equitable and defensible grade and pay structures.
- Provide as objective as possible a basis for grading jobs within a grade structure, thus enabling consistent decisions to be made about job grading.
- Enable sound market comparisons with jobs or roles of equivalent complexity and size.
- Be transparent – the basis upon which grades are defined and jobs graded should be clear.
- Ensure that the organization meets equal pay for work of equal value obligations.

The last aim is important. In its *Good Practice Guide on Job Evaluation Schemes Free of Sex Bias* the Equal Opportunities Commission (2003) stated that: ‘Non-discriminatory job evaluation should lead to a payment system which is transparent and within which work of equal value receives equal pay regardless of sex.’

## Approaches

Approaches to establishing the worth of jobs fall broadly into two categories: formal and informal.

### Formal job valuation

Formal approaches use standardized methods to evaluate jobs that can be analytical or non-analytical. Such schemes deal with internal relativities and the associated process of establishing and defining job grades or levels in an organization.

An alternative approach is ‘extreme market pricing’ in which formal pay structures and individual rates of pay are entirely based on systematically collected and analysed information on market rates and no use is made of job evaluation to establish internal relativities. Extreme market pricing should be distinguished from the process of collecting and analysing market rate data used to establish external relativities, having already determined internal relativities through formal job evaluation.

In the 1980s and 1990s formal job evaluation fell into disrepute because it was alleged to be bureaucratic, time-consuming and irrelevant in a market economy where market rates dictate internal rates of pay and relativities. However, job evaluation is still practised widely (60 per cent of the respondents to the 2007 e-reward job evaluation survey had a formal scheme) and, indeed, its use is extending, not least because of the pressures to achieve equal pay. Although formal job evaluation may work systematically it should not be treated as a rigid, monolithic and bureaucratic system. It should instead be regarded as an approach that may be applied flexibly. Process – how job evaluation is used – can be more important than the system itself when it comes to producing reliable and valid results.

### Informal job evaluation

Informal approaches price jobs either on the basis of assumptions about internal and external relativities or simply by reference to going or market rates when recruiting people, unsupported by any systematic analysis. There are, however, degrees of informality. A semi-formal approach might require some firm evidence to support a market pricing decision and the use of role profiles to provide greater accuracy to the matching process.

## Analytical job evaluation schemes

Analytical job evaluation is based on a process of breaking whole jobs down into a number of defined elements or factors such as responsibility, decisions and the knowledge and skill required. These are assumed to be present in all the jobs to be evaluated. In point-factor and fully analytical matching schemes, jobs are then compared factor by factor either with a graduated scale of points attached to a set of factors or with grade or role profiles analysed under the same factor headings.

The advantages of an analytical approach are that first, evaluators have to consider each of the characteristics of the job separately before forming a conclusion about its relative value, and second, they are provided with defined yardsticks or guidelines that help to increase the objectivity and consistency of judgements. It can also provide a defence in the UK against an equal pay claim. The main analytical schemes as described below are point-factor rating, analytical matching and factor comparison.

### Point-factor rating

Point-factor schemes are the most common forms of analytical job evaluation. They were used by 70 per cent of the respondents to the e-reward 2007 job evaluation survey who had job evaluation schemes. The basic methodology is to break down jobs into factors. These are the elements in a job such as the level of responsibility, knowledge and skill or decision making

that represent the demands made by the job on job holders. For job evaluation purposes it is assumed that each of the factors will contribute to the value of the job and is an aspect of all the jobs to be evaluated but to different degrees.

Each factor is divided into a hierarchy of levels. Definitions of these levels are produced to provide guidance on deciding the degree to which the factor applies in the job to be evaluated. Evaluators consult the role profile or job description, which should ideally analyse the role in terms of the scheme's factors. They then refer to the level definitions for each factor and decide which one best fits the job.

A maximum points score is allocated to each factor. The scores available may vary between different factors in accordance with beliefs about their relative significance. This is termed 'explicit weighting'. If the number of levels varies between factors this means that they are implicitly weighted because the range of scores available will be greater in the factors with more levels.

The total score for a factor is divided between the levels to produce the numerical factor scale. Progression may be arithmetic, eg 50, 100, 150, 200 and so on, or geometric, eg 50, 100, 175, 275. In the latter case, more scope is given to recognize senior jobs with higher scores.

The complete scheme consists of the factor and level definitions and the scoring system (the total score available for each factor and distributed to the factor levels). This comprises the 'factor plan'.

Jobs are 'scored' (ie allocated points) under each factor heading on the basis of the level of the factor in the job. This is done by comparing the features of the job with regard to that factor with the factor level definitions to find out which definition provides the best fit. The separate factor scores are then added together to give a total score that indicates the relative value of each job and can be used to place the jobs in rank order. An unweighted factor plan is illustrated in Table 47.1. In this example, the evaluations are asterisked and the total score would be 400 points.

**Table 47.1** A factor plan

Factors	Levels and scores					
	1	2	3	4	5	6
Expertise	20	40	60*	80	100	120
Decisions	20	40	60	80*	100	120
Autonomy	20	40	60	80*	100	120
Responsibility	20	40	60	80*	100	120
Interpersonal skills	20	40	60	80	100*	120

A point-factor scheme can be operated manually – a ‘paper’ scheme – or computers can be used to aid the evaluation process, as described later in this chapter.

## Analytical job matching

Like point-factor job evaluation, analytical job matching is based on the analysis of a number of defined factors. There are two forms of analytical matching. One is role profile to grade/level profile matching; the other is role profile to benchmark role profile.

In *role to grade analytical matching*, profiles of roles to be evaluated are matched to grade, band or level profiles. Reference is made to a grade structure incorporating the jobs covered by the evaluation scheme. This consists of a sequence or hierarchy of grades, bands or levels that have been defined analytically in terms of a set of factors that may correspond to the job evaluation factors in a point-factor scheme or a selection of them. They may also or alternatively refer to levels of competency and responsibility, especially in job and career family structures. Information on roles is obtained by questionnaires or interviews and role profiles are produced for the jobs to be evaluated under the same headings as the grade or level profiles. The role profiles are then ‘matched’ with the range of grade or level profiles to establish the best fit and thus grade the job.

In *role to role analytical matching*, role profiles for jobs to be evaluated are matched analytically with benchmark role profiles. A benchmark job is one that has already been graded as a result of an initial job evaluation exercise. It is used as a point of reference with which other roles or jobs can be compared and valued. Thus, if role A has been evaluated and placed in grade 3 and there is a good fit between the factor profile of role B and that of role A, then role B will also be placed in grade 3. Roles are analysed against a common set of factors or elements. Generic role profiles, ie those covering a number of like roles, will be used for any class or cluster of roles with essentially the same range of responsibilities such as team leaders or personal assistants. Role to role matching may be combined with role to grade matching.

Analytical matching can be used to grade jobs or place them in levels following the initial evaluation of a sufficiently large sample of benchmark jobs, ie representative jobs that can provide a valid basis for comparisons. This can happen in big organizations when it is believed that it is not necessary to go through the whole process of point-factor evaluation for every job, especially where ‘generic’ roles are concerned. When this follows a large job evaluation exercise such as the NHS, the factors used in analytical matching may be the same as those in the point-factor job evaluation scheme that underpins the analytical matching process and can be invoked to deal with difficult cases or appeals. In some matching schemes the number of factors may be simplified, for example the HERA scheme for higher education institutions clusters related factors together, reducing the number of factors from seven to four. However, analytical matching may not necessarily be underpinned by a point-factor evaluation scheme and this can save a lot of time in the design stage as well as when rolling out the scheme.

## Factor comparison

The original factor comparison method compared jobs factor by factor using a scale of money values to provide a direct indication of the rate for the job. It was developed in the United States but is not used in the UK. The Hay Guide Chart Profile method (a 'proprietary brand' of job evaluation) is described by the Hay Group as a factor comparison scheme but, apart from this, the only form of factor comparison now in use is graduated factor comparison, which compares jobs factor by factor with a graduated scale. The scale may have only three value levels – for example lower, equal, higher – and no factor scores are used. This is a method often used by the independent experts engaged by employment tribunals to advise on an equal pay claim. Their job is simply to compare one job with one or two others, not to review internal relativities over the whole spectrum of jobs in order to produce a rank order.

## Tailor-made, ready-made and hybrid schemes

Any of the schemes referred to above can be 'tailor-made' or 'home grown' in the sense that they are developed specifically by or for an organization, a group of organizations or a sector, eg further education establishments. The 2007 e-reward survey showed that only 20 per cent of the schemes were tailor-made. A number of management consultants offer their own 'ready-made' schemes or 'proprietary brands'. Consultants' schemes tend to be analytical (point-factor, factor comparison or matching) and may be linked to a market rate database. As many as 60 per cent of the respondents to the e-reward survey used these schemes.

Hybrid schemes are consultants' schemes that have been modified to fit the particular needs of an organization – 20 per cent of the e-reward respondents had such schemes. Typically, the modification consists of amendments to the factor plan or, in the case of Hay, to the Hay Guide Chart.

## Non-analytical schemes

Non-analytical job evaluation schemes enable whole jobs to be compared in order to place them in a grade or a rank order – they are not analysed by reference to their elements or factors. They can stand alone or be used to help in the development of an analytical scheme. For example, the paired comparison technique described later can produce a rank order of jobs that can be used to test the outcomes of an evaluation using an analytical scheme. It is therefore helpful to know how non-analytical schemes function even if they are not used as the main scheme.

Non-analytical schemes operate on a *job to job* basis in which a job is compared with another job to decide whether it should be valued more, less, or the same (ranking and 'internal benchmarking' processes). Alternatively, they may function on a *job to grade* basis in which

judgements are made by comparing a whole job with a defined hierarchy of job grades (job classification) – this involves matching a job description to a grade description. The e-reward 2007 survey showed that only 14 per cent of respondents' schemes were non-analytical.

Non-analytical schemes are relatively simple but rely more on subjective judgements than analytical schemes. Such judgements will not be guided by a factor plan and do not take account of the complexity of jobs. There is a danger therefore of leaping to conclusions about job values based on *a priori* assumptions that could be prejudiced. For this reason, non-analytical schemes do not provide a defence in a UK equal pay case.

There are four main types of non-analytical schemes: job classification, job ranking, paired comparison (a statistical version of ranking), and internal benchmarking.

## 1. Job classification

This approach is based on a definition of the number and characteristics of the levels or grades in a grade and pay structure into which jobs will be placed. The grade definitions may refer to such job characteristics as skill, decision making and responsibility but these are not analysed separately. Evaluation takes place by a process of non-analytical matching or 'job slotting'. This involves comparing a 'whole' job description, ie one not analysed into factors, with the grade definitions to establish the grade with which the job most closely corresponds. The difference between job classification and role to grade analytical matching as described above is that in the latter case, the grade profiles are defined analytically, ie in terms of job evaluation factors, and analytically defined role profiles are matched with them factor by factor. However, the distinction between analytical and non-analytical matching can be blurred when the comparison is made between formal job descriptions or role profiles that have been prepared in a standard format, which includes common headings for such aspects of jobs as levels of responsibility or knowledge and skill requirements. These 'factors' may not be compared specifically but will be taken into account when forming a judgement. But this may not satisfy the UK legal requirement that a scheme must be analytical to provide a defence in an equal pay claim.

## 2. Job ranking

Whole-job ranking is the most primitive form of job evaluation. The process involves comparing whole jobs with one another and arranging them in order of their perceived value to the organization. In a sense, all evaluation schemes are ranking exercises because they place jobs in a hierarchy. The difference between simple ranking and analytical methods such as point-factor rating is that job ranking does not attempt to quantify judgements. Instead, whole jobs are compared – they are not broken down into factors or elements although, explicitly or implicitly, the comparison may be based on some generalized concept such as the level of responsibility. Job ranking or paired comparison ranking as described below is sometimes used as a check on the rank order obtained by point-factor rating.

### 3. Paired comparison ranking

Paired comparison ranking is a statistical technique used to provide a more sophisticated method of whole-job ranking. It is based on the assumption that it is always easier to compare one job with another than to consider a number of jobs and attempt to build up a rank order by multiple comparisons.

The technique requires the comparison of each job as a whole, separately, with every other job. If a job is considered to be of a higher value than the one with which it is being compared it receives two points; if it is thought to be equally important, it receives one point; if it is regarded as less important, no points are awarded. The scores are added for each job and a rank order is obtained.

Paired comparisons can be done factor by factor and in this case can be classified as analytical. A simplified example of a paired comparison ranking is shown in Table 47.2.

**Table 47.2** A paired comparison

Job reference	a	b	c	d	e	f	Total score	Ranking
A	–	0	1	0	1	0	2	5=
B	2	–	2	2	2	0	8	2
C	1	0	–	1	1	0	3	4
D	2	0	1	–	2	0	5	3
E	1	0	1	0	–	0	2	5=
F	2	2	2	2	2	–	10	1

The advantage of paired comparison ranking over normal ranking is that it is easier to compare one job with another rather than having to make multiple comparisons. But it cannot overcome the fundamental objections to any form of whole-job ranking – that no defined standards for judging relative worth are provided and it is not an acceptable method of assessing equal value or comparable worth. There is also a limit to the number of jobs that can be compared using this method – to evaluate 50 jobs requires 1,225 comparisons. Paired comparisons are occasionally used analytically to compare jobs on a factor by factor basis.

### 4. Internal benchmarking

Internal benchmarking means comparing the job under review with any internal job that is believed to be properly graded and paid (an internal benchmark) and placing the job under

consideration into the same grade as that job. It is what people often do intuitively when they are deciding on the value of jobs, although it is not usually dignified in job evaluation circles as a formal method of job evaluation. The comparison is made on a whole-job basis without analysing the jobs factor by factor. It can be classified as a formal method if there are specific procedures for preparing and setting out role profiles and for comparing profiles for the role to be evaluated with standard benchmark role profiles.

## Market pricing

Market pricing is the process of obtaining information on market rates (market rate analysis) to inform decisions on pay structures and individual rates of pay. It is called 'extreme market pricing' when market rates are the sole means of deciding on internal rates of pay and relativities, and conventional job evaluation is not used. An organization that adopts this method is said to be 'market driven'. This approach has been widely adopted in the United States. It is associated with a belief that 'the market rules, ok', disillusionment with what was regarded as bureaucratic job evaluation, and the enthusiasm for broad-banded pay structures. It is a method that often has appeal at board level because of the focus on the need to compete in the marketplace for talent.

Market rate analysis as distinct from extreme market pricing may be associated with formal job evaluation. The latter establishes internal relativities and the grade structure, and market pricing is used to develop the pay structure – the pay ranges attached to grades. Information on market rates may lead to the introduction of market supplements for individual jobs or the creation of separate pay structures (market groups) to cater for particular market rate pressures.

The acceptability of either form of market pricing is dependent on the availability of robust market data and, when looking at external rates, the quality of the job to job matching process, ie comparing like with like. It can therefore vary from analysis of data by job titles to detailed matched analysis collected through bespoke surveys focused on real market equivalence. Extreme market pricing can provide guidance on internal relativities even if these are market driven. But it can lead to pay discrimination against women where the market has traditionally been discriminatory and it does not satisfy UK equal pay legislation. To avoid a successful equal pay claim in the UK, any difference in pay between men and women carrying out work of equal value based on market rate considerations has to be 'objectively justified', ie the employment tribunal will need to be convinced that this was not simply a matter of opinion and that adequate evidence from a number of sources was available. In such cases, the tribunal will also require proof that there is a business case for the market premium to the effect that the recruitment and retention of essential people for the organization was difficult because pay levels were uncompetitive.

## Computer-aided job evaluation

Computer-aided job evaluation uses computer software to convert information about jobs into a job evaluation score or grade. It is generally underpinned by a conventional point-factor scheme. The 'proprietary brands' offered by consultants are often computer-aided. Computers may be used simply to maintain a database recording evaluations and their rationale. In the design stage they can provide guidance on weighting factors through multiple regression analysis, although this technique has been largely discredited and is little used now.

### Methodology

The software used in a fully computer-aided scheme essentially replicates in digital form the thought processes followed by evaluators when conducting a 'manual' evaluation. It is based on defined evaluation decision rules built into the system shell. The software typically provides a facility for consistency checks by, for example, highlighting scoring differences between the job being evaluated and other benchmark jobs.

The two types of computer-aided evaluation are: 1) Schemes in which the job analysis data is either entered direct into the computer or transferred to it from a paper questionnaire. The computer software applies predetermined rules to convert the data into scores for each factor and produce a total score. This is the most common approach. 2) Interactive computer-aided schemes in which the job holder and his or her manager sit in front of a PC and are presented with a series of logically interrelated questions, the answers to which lead to a score for each of the built-in factors in turn and a total score.

### The case for computer-aided job evaluation

A computer-aided scheme can achieve greater consistency than when a panel of evaluators uses a paper scheme – with the help of the computer the same input information gives the same output result. It can also increase the speed of evaluations, reduce the resources required and provide facilities for sorting, analysing, reporting on the input information and system outputs and record keeping (database).

### The case against computer-aided job evaluation

For some organizations the full approach is too expensive and elaborate for them to be bothered with it. Others do not want to abandon the involvement of employees and their representatives in the traditional panel approach. There is also the problem of transparency in some applications. This is sometimes called 'the black box effect' – those concerned have difficulty in understanding the logic that converts the input information to a factor level score. Interactive systems such as those offered by Pilat Consultants (Gauge) and Watson Wyatt aim to overcome

this difficulty. It is perhaps for these reasons that less than half the respondents to the 2007 e-reward survey had computer-aided schemes and over half of those used computers simply to maintain job evaluation records.

## Choice of approach

The fundamental choice is between using formal or informal methods of valuing roles. This may not be a conscious decision. A company may use informal methods simply because that's what it has always done and because it never occurs to its management that there is an alternative. But it may decide deliberately that an informal or semi-formal approach fits its circumstances best. The advantages and disadvantages of each approach are summarized in Table 47.3. These need to be examined in the light of criteria for choice such as those set out below and compared with the objectives of the scheme and the context in which it will be used.

### Criteria for choice

- *Thorough in analysis and capable of impartial application* – the scheme should have been carefully constructed to ensure that its methodology is sound and appropriate in terms of all the jobs it has to cater for. It should also have been tested and trialled to check that it can be applied impartially to those jobs.
- *Appropriate* – it should cater for the particular demands made on all the jobs to be covered by the scheme.
- *Comprehensive* – the scheme should be applicable to all the jobs in the organization covering all categories of staff and, if factors are used, they should be common to all those jobs. There should therefore be a single scheme that can be used to assess relative values across different occupations or job families and to enable benchmarking to take place as required.
- *Transparent* – the processes used in the scheme from the initial role analysis through to the grading decision should be clear to all concerned. If computers are used, information should not be perceived as being processed in a 'black box'.
- *Non-discriminatory* – the scheme should meet equal pay for work of equal value requirements.
- *Ease of administration* – the scheme should not be too complex or time-consuming to design or implement.

**Table 47.3** Comparison of different job evaluation methods

Scheme	Characteristics	Advantages	Disadvantages
Point-factor rating	An analytical approach in which separate factors are scored and added together to produce a total score for the job that can be used for comparison and grading purposes	As long as it is based on proper job analysis, point-factor schemes provide evaluators with defined yardsticks that help to increase the objectivity and consistency of judgements and reduce the over-simplified judgement made in non-analytical job evaluation. They provide a defence against equal value claims as long as they are not in themselves discriminatory	Can be complex and give a spurious impression of scientific accuracy – judgement is still needed in scoring jobs. Not easy to amend the scheme as circumstances, priorities or values change
Analytical matching	Grade profiles are produced that define the characteristics of jobs in each grade in a grade structure in terms of a selection of defined factors. Role profiles are produced for the jobs to be evaluated set out on the basis of analysis under the same factor headings as the grade profiles. Role profiles are ‘matched’ with the range of grade profiles to establish the best fit and thus grade the job	If the matching process is truly analytical and carried out with great care, this approach saves time by enabling the evaluation of a large number of jobs, especially generic ones, to be conducted quickly and in a way that should satisfy equal value requirements	The matching process could be more superficial and therefore suspect than evaluation through a point-factor scheme. In the latter approach there are factor level definitions to guide judgements and the resulting scores provide a basis for ranking and grade design, which is not the case with analytical matching. Although matching on this basis may be claimed to be analytical, it might be difficult to prove this in an equal value case

Table 47.3 *continued*

Scheme	Characteristics	Advantages	Disadvantages
Job classification	Non-analytical – grades are defined in a structure in terms of the level of responsibilities involved in a hierarchy. Jobs are allocated to grades by matching the job description with the grade description (job slotting)	Simple to operate; standards of judgement when making comparisons are provided in the shape of the grade definitions	Can be difficult to fit complex jobs into a grade without using over-elaborate grade definitions; the definitions tend to be so generalized that they are not much help in evaluating borderline cases or making comparisons between individual jobs; does not provide a defence in an equal value case
Combined approach	Point-factor rating is used to evaluate benchmark posts and design the grade structure, and the remaining posts are graded either by analytical matching or job classification	Combines the advantages of both methods	Can be more complex to explain and administer. If job classification is used rather than analytical matching the disadvantages set out above apply, so there may be more of a need to revert to the full point-factor scheme in the event of disagreement
Ranking	Non-analytical – whole job comparisons are made to place them in rank order	Easy to apply and understand	No defined standards of judgement; differences between jobs not measured; does not provide a defence in an equal value case
Internal benchmarking	Jobs or roles are compared with benchmark jobs that have been allocated into grades on the basis of ranking or job classification and placed in whatever grade provides the closest match of jobs. The job descriptions may be analytical in the sense that they cover a number of standard and defined elements	Simple to operate; facilitates direct comparisons, especially when the jobs have been analysed in terms of a set of common criteria	Relies on a considerable amount of judgement and may simply perpetuate existing relativities; dependent on accurate job/role analysis; may not provide a defence in an equal value case

The decision may be to use one approach, for example point-factor rating or analytical matching. But an increasing number of organizations are combining the two: using point-factor rating to evaluate a representative sample of benchmark jobs (ie jobs that can be used as points of comparison for other jobs) and, to save time and trouble, evaluating the remaining jobs by means of analytical matching.

## Making the choice

The overwhelming preference for analytical schemes shown by the e-reward 2007 survey suggests that the choice is fairly obvious. The advantages of using a recognized analytical approach that satisfies equal value requirements appear to be overwhelming. Point-factor schemes were used by 70 per cent of those respondents and others used analytical matching, often in conjunction with the points scheme.

There is something to be said for adopting point-factor methodology as the main scheme but using analytical matching in a supporting role to deal with large numbers of generic roles not covered in the original benchmarking exercise. Analytical matching can be used to allocate generic roles to grades as part of the normal job evaluation operating procedure to avoid having to resort to job evaluation in every case. The tendency in many organizations is to assign to job evaluation a supporting role of this nature rather than allowing it to dominate all grading decisions and thus involve the expenditure of much time and energy.

## Designing an analytical point-factor job evaluation scheme

The process of designing a point-factor job evaluation scheme is demanding and time-consuming, as stressed by Armstrong and Cummins (2008). The design and process criteria and the design and implementation programme are considered below.

### Design and process criteria

It is necessary to distinguish between the design of a scheme and the process of operating it in accordance with the principles set out below. Equal pay considerations have to be taken into account in both design and process.

#### *Design principles*

- The scheme should be based on a thorough analysis of the jobs to be covered and the types of demands made on those jobs to determine what factors are appropriate.

- The scheme should facilitate impartial judgements of relative job size.
- The factors used in the scheme should cover the whole range of jobs to be evaluated at all levels without favouring any particular type of job or occupation and without discriminating on the grounds of sex, race, disability or for any other reason – the scheme should fairly measure features of female-dominated jobs as well as male-dominated jobs.
- Through the use of common factors and methods of analysis and evaluation, the scheme should enable benchmarking to take place of the relativities between jobs in different functions or job families.
- The factors should be clearly defined and differentiated – there should be no double counting.
- The levels should be defined and graduated carefully.
- Sex bias must be avoided in the choice of factors, the wording of factor and level definitions and the factor weightings – checks should be carried out to identify any bias.

### *Process principles*

- The scheme should be transparent; everyone concerned should know how it works – the basis upon which the evaluations are produced.
- Appropriate proportions of women, those from ethnic minorities and people with disabilities should be involved in the process of developing and applying job evaluation.
- The quality of role analysis should be monitored to ensure that analyses produce accurate and relevant information that will inform the job evaluation process and will not be biased.
- Consistency checks should be built into operating procedures.
- The outcomes of evaluations should be examined to ensure that sex or any other form of bias has not occurred.
- Particular care is necessary to ensure that the outcomes of job evaluation do not simply replicate the existing hierarchy – it is to be expected that a job evaluation exercise will challenge present relativities.
- All those involved in role analysis and job evaluation should be thoroughly trained in the operation of the scheme and in how to avoid bias.

- Special care should be taken in developing a grade structure following a job evaluation exercise to ensure that grade boundaries are placed appropriately and that the allocation of jobs to grades is not in itself discriminatory.
- There should be scope for the review of evaluations and for appeals against gradings.
- The scheme should be monitored to ensure that it is being operated properly and that it is still fit for its purpose.

### The design and implementation programme

The design and implementation of a point-factor job evaluation scheme can be a time-consuming affair. In a large organization it can take two years or more to complete a project. Even in a small organization it can take several months. Many organizations seek outside help from management consultants or ACAS in conducting the programme. An example of a programme is given in Figure 47.1.

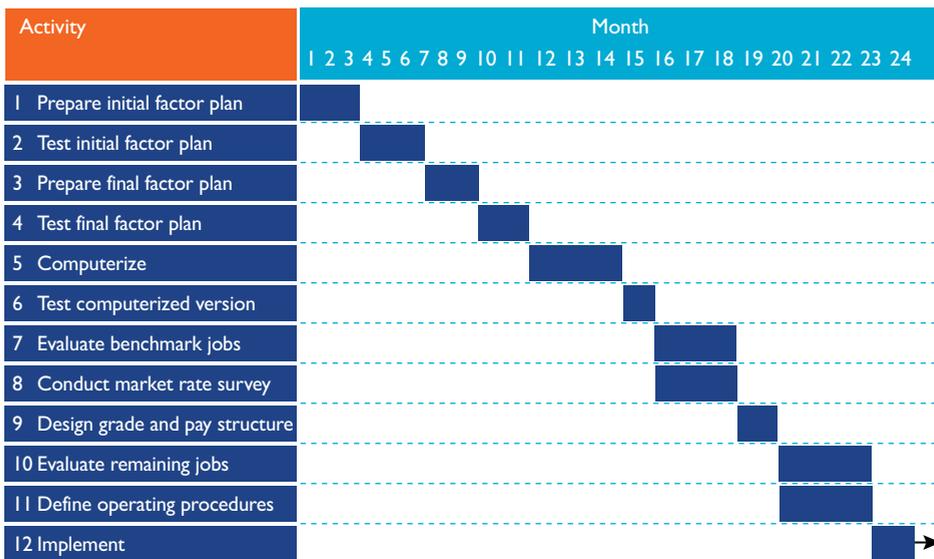


Figure 47.1 A typical job evaluation programme

Activities 1 to 6 form the initial design phase and activities 7 to 12 form the application of the design and implementation phases. Full descriptions of these phases follow.



### *Step 1. Decide to develop scheme*

The decision to develop a new point-factor job evaluation scheme follows an analysis of the existing arrangements, if any, for job evaluation, and a diagnosis of any problems.

### *Step 2. Prepare detailed project programme*

The detailed project programme could be set out in a chart as illustrated in Table 47.1.

### *Step 3. Select, brief and train design team*

The composition of the design team should have been determined broadly at Step 1. Members are usually nominated by management and the staff or union(s) (if they exist). It is very desirable to have a representative number of women and men and the major ethnic groups employed in the organization. It is also necessary to appoint a facilitator.

### *Step 4. Formulate communication strategy*

It is essential to have a communication strategy. The introduction of a new job evaluation will always create expectations. Some people think that they will inevitably benefit from pay increases; others believe that they are sure to lose money. It has to be explained carefully, and repeatedly, that no one should expect to get more and that no one will lose. The strategy should include a preliminary communication setting out what is proposed and why and how people will be affected. Progress reports should be made at milestones throughout the programme, for example when the factor plan has been devised. A final communication should describe the new grade and pay structure and spell out exactly what is to happen to people when the structure is introduced.

### *Step 5. Identify and define factors*

Job evaluation factors are the characteristics or key elements of jobs that are used to analyse and evaluate jobs in an analytical job evaluation scheme. The factors must be capable of identifying relevant and important differences between jobs that will support the creation of a rank order of jobs to be covered by the scheme. They should apply equally well to different types of work including specialists and generalists, lower level and higher level jobs, and not be biased in favour of one sex or group. Although many of the job evaluation factors used across organizations capture similar job elements (this is an area where there are some enduring truths), the task of identifying and agreeing factors can be challenging. The e-reward survey (2007) established that the 10 most frequently used factors in tailor-made analytical schemes, in rank order, were as follows.

**The 10 most frequently used factors in tailor-made analytical schemes in rank order, e-reward survey (2007)**

1. Knowledge and skills.
2. Responsibility.
3. Problem solving.
4. Decision making.
5. People management.
6. Relationships/contacts.
7. Working conditions.
8. Mental effort.
9. Impact.
10. Creativity.

***Step 6. Define factor levels to produce the basic factor plan***

The factor plan is the key job evaluation document. It guides evaluators on making decisions about the levels. The basic factor plan defines the levels within each of the selected factors. A decision has to be made on the number of levels (often five, six or seven), which has to reflect the range of responsibilities and demands in the jobs covered by the scheme.

***Step 7. Select and analyse test jobs***

A small representative sample of jobs should be identified to test the scheme. A typical proportion would be about 10 per cent of the jobs to be covered. These are then analysed in terms of the factors.

***Step 8. Test basic factor plan***

The factors forming the basic factor plan are tested by the design team on a representative sample of jobs. The aim of this initial test is to check on the extent to which the factors are appropriate, cover all aspects of the jobs to be evaluated, are non-discriminatory, avoid double counting and are not compressed unduly. A check is also made on level definitions to ensure that they are worded clearly, graduated properly and cover the whole range of demands applicable to the jobs to be evaluated so that they enable consistent evaluations to be made.

### *Step 9. Develop scoring model*

The aim is to design a point-factor scheme that will operate fairly and consistently to produce a rank order of jobs, based on the total points score for each job. Each level in the factor plan has to be allocated a points value so that there is a scoring progression from the lowest to the highest level.

### *Step 10. Decide on the factor weighting*

Weighting is the process of attaching more importance to some factors. Explicit weighting takes place in a point-factor scheme when the maximum points available for what are regarded as more important factors are increased. Implicit weighting takes place when some factors have more levels than others but the same scoring progression per level exists as in the other factors.

### *Step 11. Prepare full factor plan*

The outcome of Steps 9 and 10 is the full scored and weighted factor plan, which is tested in Step 12.

### *Step 12. Test the full factor plan*

The full factor plan incorporating a scoring scheme and either explicit or implicit weighting is tested on the same jobs used in the initial test of the draft factors. Further jobs may be added to extend the range of the test.

### *Step 13. Computerize*

The steps set out above will produce a paper-based scheme and this is still the most popular approach. The e-reward survey (2003) found that only 28 per cent of respondents with job evaluation schemes used computers to aid evaluation. But full computerization can offer many advantages including greater consistency, speed and the elimination of much of the paper work. There is also the possibility of using computers to help manage and support the process without using computers as a substitute for grading design teams.

Computer-aided schemes use the software provided by suppliers but the system itself is derived from the paper-based scheme devised by the methods set out above. No job evaluation design team is required to conduct evaluations but it is necessary to set up a review panel that can validate and agree the outcomes of the computerized process. No one likes to feel that a decision about their grade has been made by a computer on its own and hard lessons have been learnt by organizations that have ended up with fully automated but discriminatory systems.

### Step 14. Test the computerized scheme

The computerized scheme is tested to ensure that it delivers an acceptable rank order.

### Step 15. Apply and implement

When the final design of the paper or computerized scheme has been tested and shown as satisfactory, the application and implementation programme can begin. This involves the evaluation of a representative sample of benchmark jobs followed by the evaluation of the remaining jobs.

## Designing an analytical matching job evaluation scheme

The sequence of actions required to design an analytical matching scheme is shown in Figure 47.3. These may follow the development of a point-factor scheme, the factors in which would be used in the matching process.

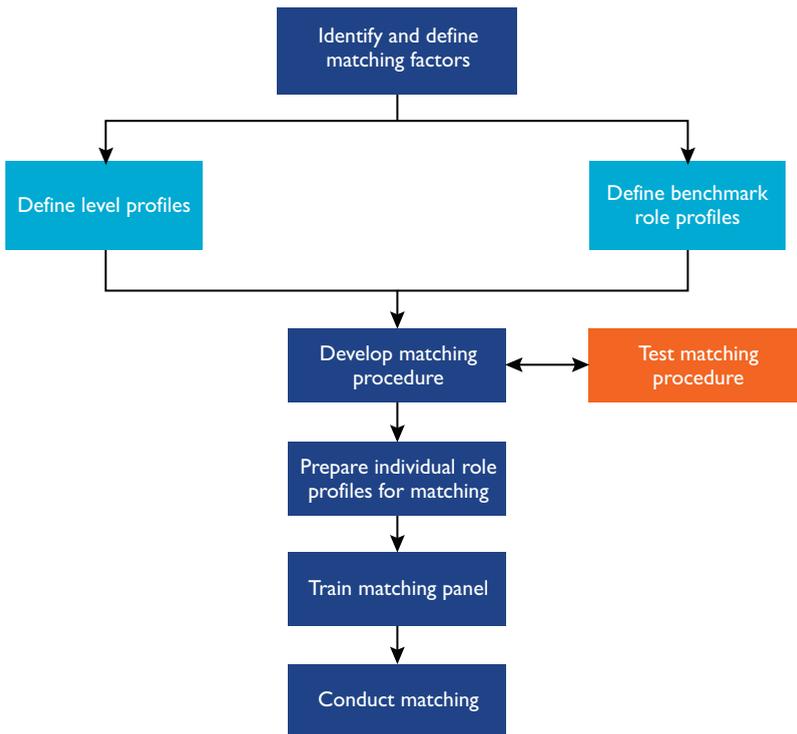


Figure 47.3 Analytical matching job evaluation scheme design sequence

## Equal pay considerations

Job evaluation has particular significance when it refers to the achievement of equal pay for work of equal value between women and men. Its role in achieving equal pay is carried out in many countries within the framework of equal pay legislation. Article 2 of the 1951 ILO's Equal Remuneration Convention states that:

*Each member shall, by means appropriate to the methods in operation for determining rates of remuneration, promote and, in so far as is consistent with such methods, ensure the application to all workers of the principle of equal remuneration for men and women workers for work of equal value.*

One hundred and sixty-three countries have ratified this convention including Albania, Kazakhstan and the United Kingdom but not the United States.

### Equal pay legislation in the UK

In the UK equal pay legislation as summarized below is based on Article 142 of the Treaty of Maastricht, which was extended by the EU Equal Pay Directive of 1975. The basic provision of the legislation is that anyone is entitled to equal pay with a comparator when they are carrying out:

- like work, meaning the same or very similar work;
- work rated as equivalent under a job evaluation study;
- work of equal value.

#### *The 1970 Equal Pay Act*

This Act effectively outlawed separate women's rates of pay by introducing an implied equality clause into all contracts of employment. It also provided two grounds on which an applicant could take a claim to an Industrial (now Employment) Tribunal for equal pay with a comparator of the opposite sex: 1) 'like work', meaning the same or very similar work, and 2) 'work rated as equivalent' under a job evaluation 'study'.

#### *The Equal Pay (Amendment) Regulations 1983*

These regulations were introduced to conform to the European Directive. They provide that women are entitled to the same pay as men (and vice versa) where the work is of equal value 'in terms of the demands made on a worker under various headings, for instance, effort, skill, decision'.

This removed the barrier built into the Act that had prevented women claiming equal pay where they were employed in women's jobs and no men were employed in the same work. Now

any woman could claim equal pay with any man and vice versa, subject to the rules about being in the same employment. Equal value claims can be brought even if there are no job evaluation arrangements, although the existence of a non-discriminatory analytical job evaluation scheme that has been applied properly to indicate that the jobs in question are not of equal value can be a defence in an equal value case.

The amendment also provided for the assignment of 'independent experts' by employment tribunals to assess equality of value between claimant and comparator under such headings as effort, skill and decision without regard to the cost or the industrial relations consequences of a successful claim.

### *Employment Act 2002*

One of the biggest barriers to bringing equal pay claims has been a lack of access to information regarding other people's pay. The Equal Pay (Questions and Replies) Order 2003 of the Employment Act 2002 provided for an equal pay questionnaire that can be used by an employee to request information from their employer about whether their remuneration is equal to that of named colleagues. Unions may also lodge these forms on behalf of their members.

### Managing the risk of equal pay claims

Equal pay claims can be time-consuming and, if successful, can be hugely expensive, especially in UK public sector organizations with powerful and active trade unions. Some organizations in low risk situations may be convinced that they are doing enough about ensuring equal pay without introducing job evaluation. Others have decided that because their business imperatives are pressing they are prepared to accept a measure of risk in their policy on equal pay. Some, regrettably, may not care. But if there is medium or high risk then action needs to be taken to minimize it. Equal pay risk management means following the design and process criteria for job evaluation mentioned earlier in this chapter and conducting equal pay reviews to establish the extent to which there is pay discrimination.

Equal pay risk assessment involves considering two factors: 1) the risk of having to defend an equal pay claim, and 2) the risk of a claim being successful. Assessing the risk of a claim means first analysing the extent to which there is unequal pay and if it does exist, diagnosing the cause(s). For example, these could be any of the following:

- different base rates of pay for work of equal value;
- disproportionate distribution of men or women at the upper or lower part of a pay range or an incremental scale, bearing in mind that this is a major cause of unequal pay;
- men or women placed at higher points in the scale on appointment or promotion;
- men or women receive higher merit or performance pay awards or benefit more from accelerated increments;

- market supplements applied differentially to men or women;
- ‘red or green circling’ applied in a way that results in pay discrimination between men and women doing work of equal value or like work;
- a discriminating job evaluation scheme in terms of factors or weightings, or the job evaluation scheme being applied in a discriminatory way.

Secondly, assessing the risk of a claim means considering the possibility of an individual initiating action on his or her own, or trade unions taking action on behalf of their members. Individual actions may come out of the blue, but the individual may have raised an equal pay grievance formally or informally and line managers should understand that they must report this immediately to HR or senior management. The likelihood of trade union action will clearly be higher when there is a strong union with high penetration in the organization, which is often the case in the public sector. But any union member can seek help from her or his union. Even if the union is not recognized for negotiating purposes it can still provide support.

## Conclusions

It could be claimed that every time a decision is made on what a job should be paid a form of job evaluation is needed. Job evaluation is therefore unavoidable, but it should not be an intuitive, subjective and potentially biased process. The aim is to develop an appropriate scheme that functions analytically, fairly, systematically, consistently, transparently and, so far as possible, objectively, without being bureaucratic, inflexible or resource-intensive. There are six ways of achieving this aim.

### *Six ways of developing an appropriate job evaluation scheme*

1. Use a tested and relevant analytical job evaluation scheme to inform and support the processes of designing grade structures, grading jobs, managing relativities and ensuring that work of equal value is paid equally.
2. Use analytical matching underpinned by a point-factor scheme.
3. Ensure that job evaluation is introduced and managed properly.
4. Consider using computers to speed up processing and decision making while at the same time generating more consistent evaluations and reducing bureaucracy.
5. Recognize that thorough training and continuing guidance for evaluators is essential, as is communication about the scheme, its operation and objectives to all concerned.

6. Review the operation of the scheme regularly to ensure that it is not decaying, continues to be appropriate and trusted and is not discriminatory.

## Job evaluation – key learning points

### The aims of job evaluation

- Establish the relative value or size of jobs.
- Produce the information required to design grade and pay structures.
- Provide as objective as possible a basis for grading jobs.
- Enable sound market comparisons with jobs or roles of equivalent complexity and size.
- Be transparent – the basis upon which grades are defined and jobs graded should be clear.
- Ensure that the organization meets equal pay for work of equal value obligations.

### Approaches to job evaluation

Informal approaches price jobs either on the basis of assumptions about internal and external relativities or simply by reference to the 'going' or market rates. Formal approaches use standardized methods to evaluate jobs, which can be analytical or non-analytical. Such schemes deal with internal relativities and the associated process of establishing and defining job grades or levels in an organization.

### Analytical job evaluation schemes

Analytical job evaluation is based on a process of breaking down whole jobs into a number of defined elements or factors such as responsibility, decisions and the knowledge and skill required. These are assumed to be present in all the jobs to be evaluated. In point-factor and fully analytical matching schemes, jobs are then compared factor by factor either with a graduated scale of points attached to a set of factors or with grade or role profiles analysed under the same factor headings.

### Non-analytical job evaluation schemes

Non-analytical job evaluation schemes enable whole jobs to be compared in order to place them in a grade or a rank order – they are not analysed by reference to their elements or factors.

### Market pricing

Market pricing is the process of obtaining information on market rates (market rate analysis) to inform decisions on pay structures and individual rates of pay. This is called 'extreme market pricing' when market rates are the sole means of deciding on internal rates of pay and relativities, and conventional job evaluation is not used.

## Job evaluation – key learning points (continued)

### Computer-aided job evaluation

Computer-aided job evaluation uses computer software to convert information about jobs into a job evaluation score or grade. It is generally underpinned by a conventional point-factor scheme.

### Comparison of schemes

The features, advantages and disadvantages of each of the main schemes are summarized in Table 47.3.

### Choice of approach

The overwhelming preference for analytical schemes shown by the e-reward 2007 survey suggests that the choice is fairly obvious. The advantages of using a recognized analytical approach that satisfies equal value

requirements appear to be overwhelming. Point-factor schemes were used by 70 per cent of those respondents and others used analytical matching, often in conjunction with the points scheme.

### Designing analytical schemes

The design sequence is shown in Figures 47.2 and 47.3.

### Equal pay considerations

Job evaluation has particular significance when it refers to the achievement of equal pay for work of equal value between women and men. Women should be paid the same rate as men when they are carrying out 'like work', 'work rated as equivalent', or 'work of equal value'.

## Questions

1. What is the distinction between analytical and non-analytical job evaluation and what are the advantages and disadvantages of both approaches?
2. What is 'extreme market pricing'? Why is it used by many organizations as a basis for valuing jobs and what are the problems this approach might create?
3. How do you ensure that a job evaluation scheme is not discriminatory?

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