

PART 4

Rewards and Remuneration

Job evaluation

The following four chapters look at the major management tools used to develop and administer reward systems. These are concerned with two absolute essentials in reward systems: external competitiveness and internal equity or fairness.

One of the major causes of friction between employers and their employees, between individual employees and between groups of employees is a real or perceived lack of fairness in the distribution of wages. For many years British industry was bedevilled with industrial strife caused by 'pay differentials'. Today we have two extreme approaches to the determination of wages. At one extreme we have total transparency in which every employee can know what everyone else earns, e.g. in many public sector organizations. At the other extreme are employers who not only keep secret what they pay each employee but also make it a condition of employment that salaries are not to be discussed between staff.

If dissatisfaction is to be avoided, or if equal pay for work of equal value disputes are to be avoided, a methodical, fair and transparent approach to the award of wages and salaries is essential for harmonious relationships to exist at all levels within an enterprise. In

organizations of any reasonable size, this can probably be achieved only if the relative value of each job is recognized; to do this, a system of ranking jobs in order of importance needs to be used. It is important that a person, such as a chef, who has completed a relatively long and formal training and has acquired knowledge and skill should be paid more highly than a person whose job needs little knowledge or skill. It is simple to distinguish between jobs with skill and those without, but the problem arises when comparing jobs that are less easily differentiated; for example, when comparing those of a cook and a waiter. Both demand particular skills and knowledge but management has to decide whether to award more, and how much, to one than to the other. A system of comparison which embraces all jobs within an enterprise needs to be adopted to ensure that wages are distributed fairly. Such a system, usually called 'job evaluation', provides a sound basis for comparisons to be made. Some systems attempt to be objective and analytical, whereas others are somewhat subjective, but if managed properly they can be equally successful. Job evaluation may, therefore, be defined as the process that establishes the relative value of jobs in a job hierarchy.

Not all employers are in favour of job evaluation. One criticism is that it evaluates a job rather than the person's contribution to the employer. This criticism can be met, however, through merit awards in a well-designed salary structure. Figure 10.1 gives some reasons for the use of job evaluation.

	Existing schemes	New schemes
Fair pay	54%	49%
Company pay	16%	11%
Performance pay	9%	16%
Pressure	7%	—
Management information	6%	16%
Explain job Relatives	5%	6%
Other	3%	2%

Figure 10.1 Reasons for using job evaluation

Source: *Personnel Management*, January 1990.

The Institute of Personnel and Development (now the CIPD) together with The Advisory, Conciliation and Arbitration Service (ACAS) in 1996 reported that job evaluation was on the increase. Three reasons are behind this growth: legal issues of equal pay for work of equal value, the simplification of pay structures through the growth of flatter organizations, and the introduction of competency-based approaches to reward systems.

An earlier survey conducted jointly by the IPM and the Wyatt Company found that the following symptoms can indicate a need for methodical job evaluation:

- 1 Employees leaving because wages are not awarded fairly and, in particular, because some newcomers earn more than long-serving employees.
- 2 No formal periodic review of wages or salaries.

- 3 Difficulties, due to wage levels, in transferring and promoting employees.
- 4 A need to pay extras or bonuses to get people to do what is, or should be, part of their normal job.
- 5 Some employees working excessive overtime.

In order to carry out effective job evaluation, precise job descriptions and even job specifications are required because without these the comparison of jobs becomes difficult, if not meaningless. Also, because comparisons of jobs are to be made, the preparation of job descriptions must be standardized throughout the undertaking, and the actual evaluation should be conducted by one specialist or the smallest possible number of people to ensure a consistent result.

As Figure 10.2 shows, there are many different job evaluation techniques. The first type – the non-analytical – considers the whole job when jobs are being compared.

Title	Broad description	Advantages	Disadvantages
<i>Non-analytical methods</i>			
Ranking	A simple method whereby the relative importance of the total job is assessed. Jobs are put in order of importance and may then be divided into groups.	Very simple to use.	Assessors need to know all jobs in some depth.
Grading or classification	A simple method in which a grading structure indicating relative job values is designed. Each job is then placed within the most appropriate grade.	Very simple to use.	Assessors need to know all jobs in some depth. Marginal jobs may be placed in higher or lower grade because system may not be sufficiently discriminating.
<i>Analytical methods</i>			
Points assessment	A commonly used and very acceptable method. Factors common to most jobs in the organization are identified such as knowledge and responsibility. Maximum points are allocated to each factor weighted according to importance. Each job examined is broken into the various factors. Each factor is then awarded points between zero and the maximum. The total of points awarded will give the score for the job and thereby its standing relative to other jobs. Benchmark jobs will be used to assist in allocating points.	Simple to understand and operate.	Takes longer to implement than ranking or grading. It can lead to considerable discussion on weighting of factors.
Factor comparison	Similar in some respects to points assessment but in some cases monetary values are used instead of points. Fewer factors, also, will normally be used than in points assessment. Benchmark jobs will normally be used.	Simple to operate once it has been designed.	Difficult to arrive at monetary values.

Figure 10.2 Job evaluation

Title	Broad description	Advantages	Disadvantages
Direct consensus method or paired comparisons	A complex technique where evaluators representing all interested parties are asked to indicate which job of a pair or which factors within pairs of jobs they consider more important. The evaluators will probably deal with several or even many jobs. The paired comparisons of all evaluators may then be fed into a computer which will produce the ranking of all jobs considered.	Reduces individual subjectivity to a minimum.	Complex, usually needs a computer.
Time span of discretion	This technique measures one factor only: the length of time in which an individual's work or decisions remain unchecked, e.g. a typist four hours, a managing director four years.	Simple, once the concept has been fully understood.	Sometimes difficult to determine true discretion span.

Figure 10.2 *continued*

For ranking, jobs are placed in order of importance. They may then be placed in clusters of closely ranked jobs.

For grading or classification, a number of grades will have been decided upon. A typical job illustrating the grade will be chosen, known as a 'benchmark' job. All other jobs are then placed into the most appropriate grades using the benchmark job for guidance. Figure 10.3 shows a typical approach – the system devised by the Institute of Administrative Management – and demonstrates its application to jobs in the hotel and catering industry.

The other approach consists of analytical methods. Most of these involve some form of point scoring of job elements or factors such as level of responsibility (e.g. sales volumes or number of staff managed) or competencies such as technical skills needed.

Points assessment

This method allocates points for each factor of a job. The points for all factors are added up and the total indicates the job's relative position in the job hierarchy.

The type of factors evaluated in each job may include the following:

Knowledge – This may be simple knowledge acquired in a few days or, at the other extreme, may be knowledge acquired by several years of study and application.

Skills – This refers mainly to manual skills. These may be acquired within a very short period, such as the skills needed to operate a limited range of equipment, or they may take many weeks, even months of practice, as in the case of keyboard skills or the varied skills needed by a competent cook.

Grade	Definition	Example
A	Simple tasks requiring little training; closely supervised or controlled through self-checking	Cleaner
B	Simple jobs that consist of standard routines and require a short period of training	Room attendant
C	Some experience or aptitude needed; standardized duties; little room for initiative	Assistant waiter Clerk
D	Considerable experience; limited degree of initiative but mostly within predetermined procedures	Receptionist
E	Technical or specialist knowledge or both; Supervision of up to five other workers	Head waiter Head hallporter
F	Technical or professional operations at intermediate membership level of a professional institute; performance or control of complex work; supervision requiring leadership skills and training of others	F & B manager Bars manager
M1	Professional or specialized knowledge up to professional institute membership level; performance or control of work of wide complexity; management of sufficient staff to need grade F subordinates as supervisors	Hotel manager
M2	Jobs requiring the final qualification of a professional institute or university degree; regular non-routine decision making; use of judgement and initiative; assistance in policy making; management of specialist functions involving more than one level of supervision	Group human resource manager
M3	Jobs requiring the final qualification of a professional institute or university degree plus several years' experience of wide-ranging authority; performance or control of work over several functions, demanding general as well as specialist expertise and policy making at the highest level; management of a series of specialist functions where management level jobs report in for guidance, control and monitoring	Group chief executive

Acknowledgement to Institute of Administrative Management.

Figure 10.3 A job grading or classification system (based on the Institute of Administrative Management grading scheme)

Responsibility – This may be of the type in which a person makes important decisions that are not checked for a long period; alternatively they may be simple decisions that are checked immediately. This factor may include responsibility for people, equipment or cash.

Physical demands – Some jobs, such as cooking, are physically demanding, or they may make little physical demand, as in book-keeping or typing.

Mental demands – All jobs, to a greater or lesser extent, make demands on a person's mental abilities including the abilities to concentrate and to apply oneself; for example, a senior receptionist's job will be much more demanding mentally than a porter's.

Social skills – Some jobs require more social skills than others. A restaurant manager, for example, will require a high degree of tact and patience, whereas a chef may require little or no social skill.

Working conditions – This includes physical and social inconveniences such as heat, long hours and whether one sits or stands while working. This may also take into account hazards such as risk of burns, cuts or even physical violence.

These seven examples give a broad indication of the types of factors considered. Others may be used and, in addition, a breakdown into subfactors may also be desirable.

The normal method of awarding points for each factor is to have a scale with benchmark jobs on it. When evaluating a particular factor of a job it will be placed at or between what appears to be the most appropriate benchmark job or jobs; i.e. in evaluating one factor, such as knowledge, the list of benchmark jobs is examined and the job being evaluated is then placed in the most appropriate position on the scale (Figure 10.4).

Points	Benchmark jobs for knowledge: maximum points – 30; minimum points – 0
30	Hotel manager
24	Front office manager
18	Restaurant manager
12	Station waiter
6	Hall porter

Figure 10.4 Example of benchmark jobs (for one factor only)

The knowledge required of a head waiter, for example, would fall between the station waiter and the restaurant manager in Figure 10.4, consequently being awarded about 15 points. The same procedure would then be adopted for all other factors to be evaluated. The benchmark jobs will not necessarily be the same for each factor. After this has been done for all factors, the points are totalled and the job grade should be determined by reference to a grade table such as that shown in Figure 10.5.

Grade	Points (Total of all factors)	Example of job
7	121–140	Chef de cuisine
6	101–120	Restaurant manager
5	81–100	Senior receptionist
4	61–80	Waiter
3	41–60	Clerk
2	21–40	Hall porter
1	0–20	Kitchen porter

Figure 10.5 Example of a grade table

Figure 10.6 shows the technique applied to two jobs: a restaurant manager's and a commis waiter's. In this example the factors outlined above are used but in designing a scheme entirely other factors may be considered. After the points have been totalled, a look at a grade table will indicate the grades of the two jobs – refer back to Figure 10.5. The commis waiter's job, therefore, is Grade 3 and the restaurant manager's is Grade 6.

Factor	Maximum points	Example evaluation of two jobs	
		Commis waiter	Restaurant manager
Knowledge	30	5	18
Skill	20	10	20
Responsibility	30	3	24
Physical demands	10	5	4
Mental demands	20	8	15
Social skills	20	12	18
Working conditions	10	5	3
Total	140	48	102

Figure 10.6 Example of a points assessment system showing the evaluation of two jobs

This is a very simplified example of a points assessment system. Some systems may be much more complex than this, but no matter which technique is used, the principles of job evaluation are as follows:

- 1 Job descriptions must be precise and up to date.
- 2 Because wages and salaries depend on the results, evaluation must be scrupulously fair and consistent.
- 3 It is the job, not the jobholder, that is being evaluated.

People at work tend to measure the value their employer places upon them by reference, among other things, to how much they are paid, relative both to their

own colleagues and to the outside market. If they perceive their level of pay (and other conditions) as inferior to that of their colleagues and of similar workers elsewhere, the relationship with the employer may well be affected adversely. This could take a number of forms, including absenteeism, pilferage, theft and even vandalism.

Arriving at a fair system for awarding wages and salaries is not easy and too often is a matter of expediency. Ian Kessler (1995) writes, 'pay systems have been used in an ad hoc manner to address specific managerial problems or goals'. The hospitality industry is no exception. Too often in the hospitality industry, wages and salaries are the result of expediency rather than methodical planning and application. It is vital, however, to recognize the relative importance of each job and to remove any potential causes of dissatisfaction. In order to do this it is vital, therefore, to adopt a methodical system of evaluating jobs so that wages and salaries are fairly distributed to all.

Having said this, the IPM-Wyatt (Spencer, 1989) survey found less than full satisfaction with job evaluation among those employers using the process. They found

- 1 the process is time consuming and inefficient, and demanding of resources
- 2 it is difficult to ensure high quality results
- 3 the centralized process runs counter to the current trend in employee relations, i.e. it tends to be unitarist rather than pluralist in approach.

For these reasons some employers have dropped job evaluation in favour of market pricing or competency awards.

Job evaluation in the hospitality industry

Job evaluation is commonplace in the public sector of the hospitality industry. Many jobs are evaluated using one or other of the job evaluation methods. It is also used by a number of larger operators, who use companies such as Hay-MSL (a specialist management consultancy) to determine pay rates and scales for their managers. Otherwise job evaluation is not very common, owing to the large number of small employers. Instead wage levels are frequently determined by expediency rather than by a methodical approach.

Further Reading and References

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Questions

- 1 Describe the objectives of job evaluation and the alternative approaches to implementing it.
- 2 Discuss what you consider to be the most important elements in job evaluation and why.
- 3 Discuss in which sectors of the hotel and catering industry job evaluation is most likely to be found and why.
- 4 Evaluate the approach to job evaluation used by an employer you know well.