

Job Evaluation – Meaning, Definition, Scope, Objectives, Features, Types, Methods

Meaning

Job evaluation is a term which is applied to a number of distinct but related administrative methods which rank or assess the relative value of different jobs or occupations. Job evaluation is a systematic and orderly process of determining the worth of a job in relation to other jobs. The objective of this process is to determine the correct rate of pay.

It is an attempt to assess 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. Individual abilities or efforts are reflected in the workers' earnings, but this is something entirely different from the ratings of the job. Job evaluation rates the job, not the man.

It is a complex of job analysis, the study of jobs, job description, the statements of the results of the analysis upon which follows job grading, the placing of jobs in a sequence or ranking which is the basis of job assessment and the establishment of fair pay based on job grading.

There are two essential features or characteristics of job evaluation. First, the focus of job evaluation is upon the job itself, its content or its demands upon the normal average or standard worker performing it rather than upon the person doing it and what he/she may choose to put into it.

Second, the reliance of job evaluation is upon the exercise of human judgement as the method by which ranking of relative work or value of the different jobs in the family or population is arrived at. Together, these distinguish job evaluation as a category of wages and salary determination.

Definition Propounded by ILO, British Institute of Management and Bureau of Labour Statistics of USA

Job evaluation is an orderly and systematic technique which aims at determining the worth of various jobs in the organisation. In other words, it is a formal system of determining the base compensation of jobs.

“Job evaluation may be defined as an attempt to determine and compare the demands which the normal performance of particular jobs makes on normal

workers without taking into account of the individual abilities or performance of the workers concerned.” —International Labour Office (ILO)

“Job evaluation is the process of analysis and assessment of jobs to ascertain reliably their relative worth using the assessment as a basis for a balanced wage structure.” —The British Institute of Management

The Bureau of Labour Statistics of USA has described job evaluation as follows – “Job evaluation is the evaluation or rating of jobs to determine their position in a job hierarchy. The evaluation may be achieved through the assignment of points or the use of some other systematic rating method for essential job requirements, such as skill, experience, and responsibility. Job evaluation is widely used in the establishment of wage rate structures and in the elimination of wage inequities. It is always applied to jobs rather than the qualities of individuals on the jobs.”

Job evaluation may be defined as the process of determining the demands in terms of efforts and abilities which the normal performance of a job makes on normal workers. The demand made on the workers by a particular job is the worth of that job. Job evaluation rates the job and not the job-holder.

It takes into account the demands of the job in terms of efforts and abilities, but it does not take into account the individual abilities and efforts, which may of course be taken into consideration and reflected in the worker’s earnings under a system of payment by results or of merit rating or performance appraisal.

The scope of job evaluation

1. Selection of employees – The job evaluation procedure considers the skill required to perform the job, responsibility associated with performing the job. These factors help to select the suitable person for the job.

2. Training and development – Job evaluation process determines the significance and necessity of training and development of the employees associated with a particular job.

3. Standardization of wage structure – Job evaluation performs an important function of designing a standardised wage structure for different jobs. Job

evaluation helps to determine salary and wage structure on rational basis and establishes fairness and justice.

4. Settlement of disputes – The most common factor causing industrial unrest and dispute is inequitable wage and salary. Job evaluation helps to settle disputes and establishes industrial peace and discipline by introducing rational and objective pay structure and removing disparity in wage payment.

Determination of an equitable wage and salary structure is one of the most important phases of employer-employee relations. For good industrial relations, each employee should – (i) receive sufficient wages or salaries to sustain himself and his dependents, and (ii) feel satisfied with the relationship between his wages and the wages of other people performing the same type of work in some other organisation.

The objectives of job evaluation

1. To secure and maintain complete, accurate and impersonal descriptions of each distinct job or occupation in the entire plant.
2. To provide a standard procedure for determining the relative worth or value of each job in a plant.
3. To determine a rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community and industry.
4. To ensure that like wages are paid to all qualified employees on like work.
5. To promote fair and accurate consideration of all employees for advancement and transfer.
6. To provide a factual basis for the consideration of wage rates for similar jobs both within the community and within the industry.
7. To provide information for the work organisation, employee's selection and training and numerous other important purposes.

The basis of a sound wage structure is job evaluation. Job evaluation systems are useful in achieving internal equity of pay between different jobs in the organisations. The process of job evaluation uses selected criteria to compare jobs within an organisation so that they can be ordered for the purpose of assigning differential pay.

Job evaluation systems provide a rationale for paying one job in an organisation more or less than another. It is the process of analysis and assessment of jobs to ascertain reliably their relative worth, using the assessment as a basis for a fair and equitable wage structure. It is in the interest of both the unions and the management that job evaluation is carried out on a joint basis.

Features:**1. Not Concerned with External Relativities:**

When it is used within an organisation, job evaluation in the true sense (i.e., not market pricing) can only assess the relative size of jobs in that organisation. It is not concerned with external relativities, i.e., the relationship between the rates of pay of jobs in the organisation and the rates of pay of comparable jobs elsewhere (market rates).

2. Judgement:

In this process, human judgment has to be exercised at a number of points. Although factual evidence is the basis of job evaluations this has to be interpreted. It is possible that information provided regarding such jobs through job analysis may sometimes fail to provide a clear indication of the levels at which demands are present.

The fundamental aim at any process of job evaluation which ensures, as far as possible, that consistent judgements are made based on objectively assessed information.

3. Assess Job not the Person:

Job evaluation is concerned with differences in the work itself, not in differences that are found between people. In other words, it tries to make the assessment of jobs, not people.

4. Based on Factual Evidence:

The determination of the relative value or size of the job is set on the basis of information on the characteristics of the job. There are predetermined criteria or factors against which each job is measured. This may be the description of the whole job, or of its component parts.

5. Evaluates the Wage Structure:

Job evaluation does not fix pay scales. However, it provides a basis for evaluating a rational wage structure.

Job evaluation systems may be classified into 3 major groups, namely:

i. The Ranking or Grading Method;

- ii. The Factor Comparison Plan, or the Weighted-in Money Method; and
- iii. The Various Point Methods.

i. The Ranking or Grading System of Job Evaluation:

The ranking or grading system of job evaluation consists primarily in arranging the various jobs in the enterprise in an order from the simplest to the highest or the reverse, each successive job being either higher or lower than the previous one in the sequence. This system should be preceded by careful job analysis and the writing of accurate job descriptions before the rating process is undertaken.

Another procedure, which is in reality merely a modification of the simple rating described above, is to establish a series of grades, or zones, and arrange all the jobs in the plant into groups within these classifications, or groups. A more common practice is to arrange all the jobs in the plant according to their requirements by rating them and then to establish the classifications, or groups.

The detailed job description is particularly helpful when ranking of jobs is done by different individuals and there is a disagreement among them. It is desirable to associate workers in the construction of the job description and in rating the job. Usually a series of key jobs that are well known throughout the plant are first rated and the other jobs roughly compared with these key jobs to establish a rough rating, after which each job is compared in greater detail to establish its exact rank in the scale.

In establishing the relative rank of a given job, as far as possible, the current wage being paid should be ignored, if we want the ranking to be serviceable in wage adjustments. Rating the jobs, by ranking method, should also ignore the qualifications of the person filling the jobs at the time, since the ranking is of the jobs and not of the workers.

The particular worker may have qualifications that are higher than those required for the job. It is to be remembered that ranking of jobs requires infinite patience and attention to details. It usually results in a compromise or pooled judgement of the relative worth of a job.

As an example of this method may be quoted the programme of a company which measured each job in comparison with other jobs in terms of the relative importance of the following six factors –

- a. Supervision and leadership of subordinates.
- b. Co-operation with associates outside the line of authority- exchange of opinion on controversial matters involving tact, diplomacy, appreciation of the

other person's point of view; necessity for and degree of teamwork, exchange of information, etc.

c. Probability and consequences of errors – assuming that the occupation is filled by an experienced, conscientious employee, consider typical errors that are apt to be made and the consequences of each in terms of waste, damage to equipment, delays, complaints, confusion, spoilage of product, discrepancies.

d. Initiative and resourcefulness – Requirements concerning originality, creativeness, judgement, analysis of conditions and reaching independent decisions, planning, estimating, etc., extent to which supervision is received.

e. Minimum experience requirements including both preliminary experience and the experience in the occupations; estimated time required for inexperienced but otherwise qualified persons to reach a satisfactory degree of proficiency.

f. Minimum education requirement – amount of schooling or study absolutely necessary to fill successfully the occupation.

The advantages claimed for the Ranking or Classification system briefly are:

a. Simplicity – It is relatively easy to understand by the workers and supervisors. It is less mechanistic and theoretical than the point system. Each job is compared as an entity with each other job. One can write the title of each job on a card, with one card being used for each job, and then arrange the cards so that the top one holds the most important job title, the next holds the next most important job title, and so on. Grade groups then can be designated and salaries assigned.

b. The time element – Unless carried to the detailed point used by the company, it requires less time.

c. Frankness – It avoids the criticism of claiming to be scientific.

The disadvantages of the system are as follows:

a. Unless the same detailed analysis is pursued as that used in the various point systems, the analyst or committee cannot possibly be familiar with all the jobs. If the same details are followed, most of the advantages of this system, other than simplicity, do not exist.

b. The ranking system merely produces a job order and does not indicate to what degree a job is more important than the one below it. It gives the rank, or tells that a job is higher than another, but does not say how much higher.

c. The system tends to be used without adequate job descriptions having been made, thus the ranking is likely to be severely biased by general opinions and

existing wage rates. Because of these limitations the ranking system is suitable for only the smallest enterprises.

ii. The Factor Comparison Plan, or the Weighted-in-Money Method:

Under the Factor Comparison System of job evaluation the analyst or evaluation committee selects key jobs for which there- exist clearly understood job descriptions and counterparts in other organisations, and for which the money rates are considered satisfactory.

Each of these jobs is analysed in terms of the following factors, and that portion of the money rate which is considered appropriate is assigned to the factor – (a) Mental requirements; (b) Skill requirements; (c) Physical requirements; (d) Responsibility; (e) Working conditions.

For example, the prevailing wage for the filing clerk may be established at Rs.1.25 per hour. The evaluation committee would then estimate what portion of the Rs.1.25 is paid in consideration of each of the factors. In this case mental (intelligence) requirements might be credited with 40 P.; skill requirements, 10 P.; physical requirements, 50 P.; responsibility, 10 P.; and working conditions 15 P.

This process is followed for each key job with due attention being given to the factor rankings of the previous survey. If one job were ranked above another for the skill factor, it should also be ranked higher monetarily, or the differences should be reconciled.

At this point the analyst using the factor comparison system can begin evaluating the jobs of undermined value. Each job is considered factor by factor in the process, the factor being evaluated according to their positions along the pre-established scales. For example, the skill value of key job A might be 50 P., and that of key job B might be only 45 P.

If the amount of skill required for job X is considered to be less than the requirement for job A but more than for job B, job X should be awarded some amount between 45 P., and 50 P., in consideration of the skill required. Each other factor is considered in the same manner, and the total base rate for the job is determined by summing the factor values. When one completes the same steps for every job in the organisation an overall wage structure has been established.

The advantages of the Factor Comparison Plan are as follows:

a. Flexibility – There are no limits to the value that may be assigned to each factor.

b. Simplicity – The Plan does not require a translation from points to money. It involves a comparative process wherein jobs are priced against other jobs rather than against some established numerical scale.

c. The system lends itself admirably to the establishing of classification.

Disadvantages of the system are:

a. It is costly to install, and somewhat difficult for anyone who is not acquainted with the general nature of job evaluation techniques to grasp.

b. Wage levels change from time to time, and thus adjustments are required.

c. Money rates, when used as a basis for rating, tend to influence the actual rate more than abstract points.

iii. **The Various Point Methods:**

The Point System of evaluating jobs consists of several plans using points for job evaluation as a basis of establishing relative job worth. All the point systems are based on the assumption that it is possible to assign points to the respective factors considered pertinent in evaluating the individual jobs and that the sum of these points will give an index of the relative significance of the jobs being rated.

The difference in the various systems arises mainly from the number of characteristics used in establishing the relative requirements of the various jobs. One Plan uses three major divisions under which the various job characteristics are classified, namely- (a) Job conditions, (b) Physical ability required, and (c) Mental requirements. Under each of these three main headings are listed the various factors, with each factor clearly defined and under each factor a description of the degrees required, the number of points allotted to each degree.

The factors used in the job rating in another plan are grouped under 4 headings, namely- (a) skill; (b) effort, (c) responsibility, and (d) job conditions. Each of these general heads has subheads as in the first plan. Most of the point systems include the following 5 items in evaluating jobs – (a) Mental requirements; (b) Physical requirements; (c) Skill; (d) Responsibility; and (e) Job or Working conditions.

The assignment of points to the major factors – skill required, effort required, responsibility of the job, and job conditions – is the next step. Each of these categories is then broken up into subgroups. For example, skill requirements are evaluated according to education required, experience required, and the necessary initiative and ingenuity of a satisfactory job holder. For each sub-factor 5 degrees of importance are defined, and a specified number of points is associated with each degree.

For example, the first degree under education may be defined as “the ability to read, or add or subtract” – and be awarded 14 points. The fifth degree, on the other hand, carries 70 points and involves a high level of knowledge, such as technical university training. Points given to each degree of a sub-factor vary from one sub-factor to another according to the relative importance placed upon each. For example, experience may carry 14 points for the first degree and 110 points for the fifth degree.

Therefore, experience is of greater significance than the education factor which carries a maximum of 70 points. This system, thus, permits management to place added weight upon those characteristics which are selected as the most important in the establishment of a suitable job hierarchy.

The point systems are too easy to use, and therefore permit managements to employ them without giving serious thought to the selection of factors to be utilised and the adding weights. It is necessary for their success that management should determine the purposes and objectives of the job hierarchy to be established and then select and weigh the factors accordingly. In selecting the factors, care should be taken to cover all phases of work with a few factors, without, of course, allowing overlapping of factors.

Precise definition of degrees is of extreme importance to the success of the system. Such ambiguous words as “low”, “medium”, and “high” should be avoided, as they lend themselves to different interpretations by different analysts.

The Physical Demand factor appraises the extent to which physical effort must be expended in performing the job. The elements to consider are weight of material moved, the distance it is moved and the type of conveyance, the continuity of effort, and the resultant fatigue.

The Attention Factor appraises the degree of mental or visual concentration required. Initiative and ingenuity appraise the independent action, exercise of judgment, the making of decisions or the amount of planning that the job requires. Schooling pertains to the educational requirements essential to satisfactory performance of the job. This factor should not be confused with experience or on-the-job training. The Experience factor pertains to the amount of job training necessary to gain satisfactory proficiency.

The Responsibility factor for different items measures responsibility for preventing damage to machinery or equipment which might result from error or negligence, and also to the probability of damage to materials, parts in process or finished goods. Responsibility for safety of others is an important factor, as it involves care to avoid or prevent injuries to fellow workers.

Leadership is a factor which pertains to responsibility for the work of others. It is limited to instruction or direction and is not intended to appraise complete supervisory responsibility for results and matters.

The working conditions factor appraises the surroundings or physical conditions under which the job must be done and the extent to which such conditions make the job disagreeable. Consideration will be given to the presence, relative amount and continuity of exposure to dust, dirt, heat, fumes, cold, noise, vibration, wet, or other unpleasant conditions. The factor of accident hazards appraises the conditions which expose the employee to the possibility of accident.

The importance of job evaluation technique

(1) It is a technique by which a rational and consistent wage structure is involved:

Wage and salary structure is designed on the basis of weight allotted to different factors in job-evaluation. Moreover, internal as well as external consistencies are also maintained to avoid a dispute. Thus, job evaluation is the basis for rational wage and salary administration.

(2) It eliminates inequalities in grades:

Job-evaluation evolves standard rates for similar or comparable jobs in the organisation and thus inequalities in base compensation are removed by this technique. It removes not only the internal inconsistency but external inconsistency also. Wages paid in similar firms and social costs are also taken into consideration, while fixing the value for the job.

(3) It also eliminates personal prejudices:

In this, the worker, who has been assigned the job will get the wages fixed for the job, by job evaluation process hence, it leaves no chance of favouritism to any worker.

(4) It maintains harmonious employer-employee relation:

It tends to eliminate inequalities in wage structure within the organisation and the industry and also help eliminating personal prejudices. Thus, it promotes harmonious industrial relations in the organisation because wage inequality is the biggest single factor for labour disputes.

(5) Wage controversies are solved by justifying wage-rates:

Job evaluation provides, a relatively objective base for wage determination, therefore, controversies relating to wages are resolved very easily by justifying the wage rates for different jobs.

(6) Important job-factors are used in evaluation:

Job evaluation is made after proper scrutiny of the various factors determined by the job-analysis and presented by the job-description and the job-specification. Thus, job values are established only after taking various job-factors into consideration.

(7) A job-evaluation technique provides the basis for comparison of each job:

It provides the basis for the comparison of jobs within the organisation and with similar jobs in other organisations and the industry and thus helps in wage and salary survey.

(8) It lowers cost of recruitment and selection:

It helps in keeping down the cost of recruitment and selection of workers. It assists in keeping down the rate of labour turnover or in other words retaining the workers in the organisations because wage and salary is the single common factor which controls the labour turnover.

If wages are determined keeping in mind the external and internal consistencies it will help in maintaining the work force. It involves job analysis and appraisal which are of great use while recruiting the personnel. Selection and placement can be made objectively by matching the qualifications of the candidate with job specification.

(9) Multifarious use of job-evaluation data:

Statistics collected for job evaluation by job analysis; job grading and job classification techniques are used in other spheres of personnel management. Merit-rating or personnel appraisal selection and training of workers, determining working conditions, simplification of jobs and introducing incentive wage systems are based on job evaluation data. Job evaluation data may also be used in the promotion and transfer of workers.

(10) It helps in the development of workers:

In a proper and rational job-evaluation system the position of job is fixed.

Every worker knows the job description and job specifications of each job. He tries to develop his personality so as to occupy the higher position.

Thus, it is clear that job-evaluation promotes industrial relations by resolving several personnel problems through a sound, rational and consistent wage and salary structure.

There are five basic **methods of job evaluation**:

(1) Ranking,

(2) Classification,

- (3) Factor comparison,**
- (4) Point method, and**
- (5) Market pricing method.**

1. The simplest and most basic form of job evaluation is job ranking. It is a conventional method in which jobs are compared one with another, and arranged or ranked in the order of their importance, their difficulty, or their value to the organisation. It is highly subjective method and depends upon the experience of the people doing the ranking; a committee usually carries out the procedure.

This method is most appropriate for small organisations and for those with a limited number of different jobs. Its advantage is that it can be done quickly and inexpensively. An obvious disadvantage is that jobs may be ranked without the benefit of well-defined standards.

This means that the ranking may be somewhat superficial and lead to the ranking of the job-holder rather than the job itself. This makes the method less useful for establishing internal equity in an organisation's pay structure.

2. The job classification method depends upon the recognition that there are differences in the level of duties, responsibilities and skills required for the performance of different jobs. These differences once recognised can be expressed as grades or levels. Jobs having been analysed can then be fitted into these various grades.

These grades can then be defined and jobs classified by the selection of a particular grade for each job to correspond to its work. This method is widely used for salaried jobs, including those in government and service occupations. It is also used for manual jobs in some industries in which the same worker is called upon to perform a variety of more or less standardised jobs for which standardised rates of remuneration can be fixed, as in engineering workshops, and in the electrical and shoe industries.

3. The factor comparison method is a quantitative method of job evaluation which evaluates jobs according to several compensable factors. It is a sophisticated method of ranking in which jobs are compared to each other across several factors.

There are five stages in this method. In the first stage, a job evaluation committee selects and rank-orders the "key jobs" in the organisation. Job evaluation committees usually consist of a personnel professional, one or more supervisors and/or managers, and one or more employees' representatives. Key jobs represent the full range of jobs from the highest to the lowest levels and are typical of the various job families. When key jobs have been ranked, a

monetary value is assigned to them. This monetary value is the current going wage of each key job. In the second stage, the evaluation committee rank-orders compensable factors in terms of their relative importance in each job. Though the committee could select their own compensable factors, the most commonly used factors for this purpose are mental requirement, skill requirement, physical effort, responsibility and working condition. The third step involves assignment of a monetary value to each factor for each key job. The fourth stage is the development of job factor comparison scales for physical efforts and mental requirements based on the information from the third stage. Each scale is weighted by the highest monetary value assigned to it. The factor which is heavily weighted will be the most important of the compensable factors.

The final stage in the factor comparison method is to evaluate other non-key jobs in the organisation using the factor comparison scales. The main advantage of the factor comparison method is that it permits of a more systematic comparison of jobs. It is also too easy to use because evaluators rate jobs in terms of well-known jobs in their own organisation.

However, comparison method has several limitations. The most important problem is that as the content of key-jobs changes, it becomes less accurate. Further, the complexity of this method makes it difficult for employees to understand and accept.

The most complex and yet the most frequently used major job evaluation method is the point method. It is very similar to the factor comparison method in that separate scales are developed for each compensable factor.

The two methods differ primarily in that the factor comparison method is based upon a set of key jobs existing in one organisation at one point in time, while the point method is independent of jobs in a particular organisation since the point systems are usually not unique to a specific organisation.

Many of the ready-made job evaluation systems are point systems Scales based on the point method are more precise and accurate than the factor comparison scales, because the point systems use universal compensable factors which are further divided into sub-factors and degrees.

4. The point method is the most accurate job evaluation system and remains relatively stable over time, unlike the factor comparison method whose key jobs are subject to change. Due to the accuracy and comprehensiveness of the method, employee acceptance is relatively high. One disadvantage of the point method is that administrative costs may be too high to justify its use in small and medium-sized organisations.

5. The market pricing method is entirely different from the other four methods of job evaluation. This method relies entirely on the labour market to determine how much jobs should be paid.

It is not concerned with the internal equity of pay, compensable factors, or assigning relative worth to jobs except in relation to the going rate in the labour market. In order to evaluate jobs using the market pricing method, an employer must conduct a pay survey to determine the market price.

The market pricing method may prove difficult and impractical for a number of reasons. First, it may prove difficult to obtain pay information for some of the more unique jobs in an organisation. Second, market prices of jobs vary from time to time. This makes it difficult to maintain stable pay structure.

Market price fluctuations can also make cost control more difficult since labour costs are less predictable under this system. Finally, the market pricing method may cause internal equity problems, especially for persons in jobs for which demand has declined. When the demand declines the going rate for the job declines.

An obvious advantage of the market pricing method is that the job evaluation committees' and management bias in pricing jobs is avoided. The system is fairly simple, and the organisation may already have access to pay survey information for the purpose of attracting quality employees.
