

# COMPENSATION MANAGEMENT

## CHAPTER 5 (Study unit 5) Evaluating Work: Job Evaluation

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### Chapter Topics

- Job-Based Structures: Job Evaluation
- Defining Job Evaluation: Content, Value, and External Market Links
- “How-to”: Major Decisions

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## Learning objectives

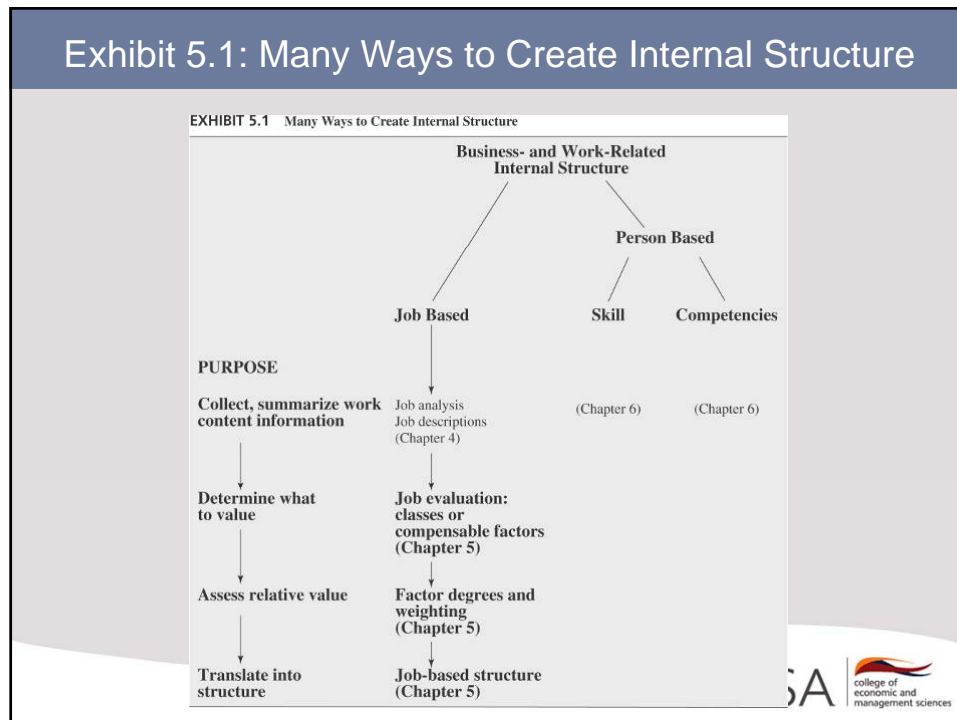
After studying Chapter 5, students should be able to:

- Discuss the relationship between internal alignment, job analysis, job evaluation, and job structure.
- Identify the major decisions involved in job evaluation.
- Compare the advantages and disadvantages of the most common job evaluation methods.

## Job-Based Structures: Job Evaluation

- *Job evaluation* – process of systematically determining the relative worth of jobs to create a job structure for the organization
- The evaluation is based on a combination of:
  - Job content
  - Skills required
  - Value to the organization
  - Organizational culture
  - External market

## Exhibit 5.1: Many Ways to Create Internal Structure



## Defining Job Evaluation: Content, Value, and External Market Links

- Content and value
  - Exchange value
  - Content: the work that is performed and how it gets done
- Linking content with the external market
  - Value of job content is based on what it can command in the external market
- “Measure for measure” vs. “Much ado about nothing”. Exhibit 5.2 summarizes the assumptions that underlie the perspectives on job evaluation

## Exhibit 5.2: Assumptions Underlying Different Views of Job Evaluation

EXHIBIT 5.2 Assumptions Underlying Different Views of Job Evaluation	Aspect of Job Evaluation	Assumption
	Assessment of job content	Content has intrinsic value outside external market.
	Assessment of relative value	Stakeholders can reach consensus on value.
	External market link	Value cannot be determined without external market.
	Measurement	Honing instruments will provide objective measures.
	Negotiation	Negotiating brings rationality to a social/political process; establishes rules of the game and invites participation.

## Defining Job Evaluation: Content, Value, and External Market Links (cont.)

“How-To”: Major decisions (Refer to Exhibit 5.3)

- Establish the purpose: Job evaluation is part of the process of establishing an internally aligned pay structure
  - ❖ *Supports organization strategy:* Job evaluation aligns with the organisation’s strategy by including what it is about work that *adds value* – that contributes to pursuing the organisation’s strategy and achieving its objectives
  - ❖ *Supports work flow:* Job evaluation supports work flow in two ways: (a) it integrates each job’s pay with its relative contributions to the organization, and it helps set pay for new, unique, or changing jobs

## Defining Job Evaluation: Content, Value, and External Market Links (cont.)

“How-To”: Major Decisions (cont)

- ❖ *Is fair to employees*: Job evaluation can reduce disputes and grievances over pay differences among jobs by establishing a workable, agreed-upon structure that reduces the role of favoritism and bias in setting pay
- ❖ *Motivates behavior toward organization objectives*: Job evaluation calls out to employees what it is about their work that the organisation values, what supports the organisation’s strategy and its success. Job evaluation thus helps create the network of rewards (promotions, challenging work) that motivates employees

## Exhibit 5.3: Determining an Internally Aligned Job Structure

### EXHIBIT 5.3 Determining an Internally Aligned Job Structure

Internal alignment:

Work relationships

within the  
organization

→ Job analysis → Job description → Job evaluation → Job structure

#### Some Major Decisions in Job Evaluation

- Establish purpose of evaluation.
- Decide whether to use single or multiple plans.
- Choose among alternative approaches.
- Obtain involvement of relevant stakeholders.
- Evaluate plan’s usefulness.

## Defining Job Evaluation: Content, Value, and External Market Links (cont.)

“How-To”: Major decisions (cont.)

- Single versus multiple plans
  - ❖ Characteristics of a benchmark job:
    - Contents are well-known and relatively stable over time
    - Job not unique to one employee
    - A reasonable number of employees are involved in the job
  - ❖ Depth and breadth of job
  - ❖ Refer Exhibit 5.4
- Choose among methods

## Who Should be Involved?

- Managers and employees with a stake in the results should be involved
  - Can include representatives from key operating functions, including non-managerial employees
- Organizations with unions find including union representatives helps gain acceptance
  - Extent of union participation varies
- Design process matters
  - Attending to fairness of design process and approach chosen likely to achieve employee and management commitment, trust, and acceptance of results

## Who Should be Involved? (cont.)

- Appeals/review procedures
  - Inevitable that some jobs are incorrectly evaluated
  - Requires review procedures for handling such cases and helping to ensure procedural fairness
- “I know I speak for all of us when I say I speak for all of us”
  - Procedures should be judged for their susceptibility to political influences

## Your turn

Answer the end of chapter 5 review questions