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# UNIT 6 JOB EVALUATION: CONCEPT, SCOPE AND LIMITATION

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## 6.0 OBJECTIVES

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After reading this Unit you will be able to:

- develop an understanding of the concept of job evaluation, its scope and limitations,
- appreciate the need for a rational and equitable pay structure, and
- take note of the historical developments with regard to the application of the technique of job evaluation.

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## 6.1 INTRODUCTION

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Productivity for any organisation or enterprise depends, to a great extent, on the morale and motivation of the employees of that **organisation/** enterprise. One of the principal factors affecting the morale and motivation is the "pay policy" and "pay structure" of the organisation. Assuming, we have two sections or categories of employees, say Category A and Category B. The former has a salary structure higher than that of the latter. The latter category has a feeling (real or imaginary) that the duties and responsibilities of the **former** are not more onerous than theirs. This feeling could lead to **frustration** and lowering of morale, productivity and poor service. An organisation needs a system which will attempt to prevent such situations to develop and to resolve them to the satisfaction of all concerned where such situations discern themselves. This sort of system is specially needed in case of hospitality sector, where many **people** are employed according to the need and specifications of a particular service. Disgruntled **employees** in contact with customers will end-up projecting a poor image not only of the organisation but also of the destination as a whole. This Unit is intended to identify such a system. It starts with highlighting the need for a rational pay structure and goes on to deal with other issues like setting the objectives for job evaluation, relationship with wages, advantages and areas of applications, etc. It also takes into account the problems related with job evaluation.

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## 6.2 NEED FOR A RATIONAL AND EQUITABLE PAY STRUCTURE

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As wages are probably the most important single element in conditions of employment, they have naturally always raised difficult issues in negotiations between employers and

employees. These issues concern not just the general level of salary received by employees but also the differences in wages amongst them. These differences are of many kinds. They exist as between countries and, within each country, as between industries or groups of industries. Moreover, within any industry there are usually salary differences as between individual, regions, firms or plants and within the latter as between different **departments**. Many of these differences may reflect differences in occupational content – quite apart from the fact that employees engaged in the same type of work may receive quite different salary according to their length of service, working conditions, personal performance or for a host of other reasons.

Among the many pay problems regularly confronting enterprises throughout the world, those associated with internal pay differentials are amongst the most common. The difficulties normally arise from the belief by certain employees that the position they occupy in the existing jobs. But responding to such concern by means of upward pay adjustments does not necessarily represent a solution as other employees with whom comparisons are traditionally made, may not accept having their relative position deteriorate in this way. Continuing ad hoc modifications to pay structures risk undermining faith in their rationality and initiating a series of conflicting pay claims. The way to resolve such **difficulties** lies in planning and developing to the extent possible, a common understanding amongst all the employees and the management concerned on what the pay structure **should** be. This is especially true in the case of various segments of the hospitality industry, where, as you know, a large number of people are employed on a seasonal or temporary basis. This employment can be only during the peak season or for a special delegation or for a special event and so on. A pay structure has to be followed so that no bad feeling is there between these **temporary/part time** employees and permanent **employees**. A few professionals working as **specialists/consultants** on a contract basis with one or more organisations would employ them in case of a need for **such** professionals. A uniform pay structure is a **moral** booster for all involved.

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### 6.3 JOB EVALUATION AND ITS OBJECTIVES

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**Job evaluation is the process of establishing the value of jobs in a job hierarchy.** Job values may be determined by negotiation or fixed on the basis of broad assumptions about market rates and internal relativities. Job evaluation is a comparative process based on a whole series of tasks, responsibilities and obligations, including the skills, knowledge and mental agility required, qualities of initiative, reliability of the employee and so on. It aims at establishing pay structures that are fair and equitable in the sense of ensuring equal pay for jobs demanding what are considered to be broadly similar sacrifices and of rewarding appropriately the greater efforts and hardships involved in some jobs as compared with others.

Through the process of job evaluation one will be able to compare jobs by using a common criteria to define the relationship of one job to another. This gives us the basis for grading jobs and developing a pay structure. In this way, it seeks to minimise the dissatisfaction associated with pay differentials and thus to contribute to **more** harmonious human relations at the work place.

In short, **job evaluation concerns itself with pricing a job in relation to other jobs on the basis of a consistent, fair, logical and equitable criteria and not on the basis of arbitrary; variable judgements dictated by short-term expediency or arrived at through rule of thumb methods.** While one may get the impression that as a technique, job evaluation is invariable and inviolate and it also possesses first-degree precision of scientific variety, it is not so in practice; for, in the ultimate analysis, it is essentially a way of applying **judgement**, and since no evaluatory process can eliminate the need for exercising judgement, howsoever systematic it is or may be, it will always **remain** captive to human traffics; additionally so because the technique is to be administered by

people and for people in the live-organisation world of work. We must remember that job evaluation is about relationships, and not absolutes. Therefore, job evaluation cannot be the sole-determining factor for deciding pay structures. Jobs have intrinsic value – such as, whether the tourist guide is worthy of his or her services being hired. Still, it is not possible for us to determine what that value is in monetary terms unless we take into account the pressure of supply and demand, internal differentials and feelings about equity, in that order. Job evaluation is, therefore, an attempt to find a measure by which the relative payments made to different jobs are internally consistent.

Therefore, the **primary objective** of job evaluation is also to find out the value of work. But this is a value which varies from time to time and from place to place under the influence of certain economic pressures, not least of which is the worth of money itself. Nevertheless, the value of work at a specific time and place is absolute, governed by supply and demand, and related to the value of all other work. **The aim of job evaluation is not to create a rate, but to discover what that rate is at that time and in that place.**

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## 6.4 ANOMALIES IN SALARIES AND THEORY OF RELATIVE VALUES

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You have been told earlier that the most common anomaly is related to irregularity between salary paid and work done by an employee. While this may be a source of dissatisfaction and may appear to be anomalous, it is in fact only anomalous if transference from one job to another is excluded from the criteria. For instance, the case of the old employee who is retained at a salary in excess of the value of the work he or she does is not anomalous unless we expressly exclude 'length of service' from the criteria. This goes to prove how important it is that the criteria should be properly defined and understood lest every difference should be thought to be anomalous.

The concept of job evaluation is based on the **theory of relative values**, a theory which broadly implies that **the value of anything depends on and is influenced by the values of other things**. Thus, the value of work is relative to the value of other work, and so can be determined only by comparisons between different kinds of work. The effect of this is seen when, if the salary for a job is raised, then the value of the salary paid to another job not so treated, is lowered. To restore the **status quo ante** it is necessary to raise the wage of the second job proportionately. Another part of this theory is that because of the internal and external economic pressures, the salaries that are to be used as indicators for finding out what work is worth should not by themselves be anomalous, otherwise, the evaluation will be affected by the anomalies themselves and so would become unreliable.

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## 6.5 BASIC ASSUMPTIONS IN JOB EVALUATION

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Job evaluation is based on certain basic postulates, i.e., **claims/assumptions**:

- The work must have **some intrinsic worth when judged against certain criteria**, but that whatever this worth may be it will not necessarily be the same as the **salary**. Implicit in this assumption is that these criteria can be identified, specified and quantified. These criteria are in terms of the human characteristics or qualities that are required to do the work satisfactorily. Further, these characteristics are supposed to be in short supply in relation to the demand placed on them. The usual characteristics or factors are skill, responsibility, physical effort, mental effort and working conditions.
- It is logical to pay the most for jobs which contribute most to attain the **organisational objective(s)**.

- a The enterprise goals are better served and furthered by installing and maintaining a job-cum-pay structure based on relative job worth.
- People 'feel fair' if two persons who relatively speaking are at the opposite ends of the conveyor belt (one putting on the raw material and the other unloading the finished article) get the same pay, that is to say, if salaries are based on relative worth of job.
- There is a broad, if not critical, consistency between pay structures in an organisation evolved on the basis of job evaluation and that in the outer community market.

The **relative worth of jobs** is not easy to gauge. By far, the most important element in job price is the content factor. The content consists of duties and responsibilities of the post, the difficulty **level(s)** encountered by the incumbents, demands that are made by the post on job holder in terms of mental, intellectual, physical and environmental requirements for the due discharge of the duties attached to the post. These obviously are central points related to the post and, hence, are basic to the determination of the base rate for the job. Pay or salary structure may thus be seen to consist of the following:

- The job rate which is relatable to the importance of the job, the responsibilities involved in it, skill levels and pattern of experience needed for adequate job performance, and the mental and physical demands made on the job incumbent.
- Special or personal allowances connected with long service, skill scarcity, recompense for personal or social inconvenience.
- Fringe benefits like holidays with pay, pensions, life insurance, car, etc.
- Payments associated with reward according to performance (payment by result scheme, merit rating or profit sharing schemes, such as, sharing of commission in the hospitality sector, share of production plan, etc.)
- The economic pressures affect the salaries and they have to be altered accordingly. The basic evaluations of the work are not affected by such pressures. Once the differential has been determined between job and job, it remains unchanged as long as the system itself endures. The evaluation depends upon the criteria and so long as the criteria do not change, the evaluation should remain as it were.

Like everything job evaluation decays. It might begin to decay even **before** it is completed and implemented, and can be kept in good order only by **careful** maintenance. But once a system has begun to collapse the best maintenance possible will not restore it and it will need to be replaced by another system.

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## 6.6 TRIGGER POINTS

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The **trigger points** for initiating job evaluation exercises in an organisation are basically **two**:

- disillusion with the existing remuneration patterns, and
- realisation that prevalent salary structure will soon lose validity or situational **rationality in the context of emerging organisational developments or near future** conditions of growth or shrinkage.

Besides these two the:

- technology-change brings about variation in job nature, and difficulty levels, and

- organisations face difficulty in attracting potential recruits or retaining the existing ones because of a feeling that the remuneration system is too complex, inadequate or unfair leading often to management-employee bickering about pay. In short, the need for job evaluation arises because of technology change and organisational **growth**.

The job **evaluation process** thus initiated has to take care of the factors affecting the job value in the organisation concerned. The main factors affecting job values or pay structures are market rates, negotiated pay scales and internal relativities and feelings **about equity in that order**.

In general terms job evaluation is used to create two dimensions of relationships. The first is the vertical relationship within a sector of an organisation where the basic skill is similar. Here the order of seniority may be obvious, but the spacing of the rungs on the seniority ladder needs to be established. How much more, for example, should the Senior Tour Executive be paid than Tour Executive? The second dimension is the lateral relationship between jobs of a different nature. For example, how should one relate the values of similar jobs between the tours and travel departments? and so on.

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## **6.7 ADVANTAGES OF JOB EVALUATION**

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The management-employee relationships are improved and strengthened by increasing the appreciation of each side's aspirations and viewpoints. When there is a pervasive goodwill in the organisation based on mutual understanding of management-and-employee over the principle irritant, that is, the pattern of payment and overall compensation structure, the organisational goals are more effectively realised, personnel growth and development stimulated, and mutually profitable partnership programmes are **also promoted**.

Job evaluation deals with actual facts, and not what is thought of (by management or employees) as facts regarding jobs; it centres around commonality of previously determined criteria so as to enhance objectivity and consistency in factor analysis and value assessment. Further, it seeks to avoid all ad hocism, arbitrariness **and** expediency in dealing with pay matters, not only to provide a disciplined framework for all organisational pay decisions, but to also promote positive acceptance of such decisions.

The advantages flowing from it benefit all in the organisation – management, employees, **and everyone**:

- 1) Management has the advantage of greater order in its pay arrangements **and** more stable pay structure, and benefits from looking at its pay problems in a more disciplined way;
- 2) Employees benefit because job evaluation provides an agreed framework for settling questions affecting jobs and so helps to prevent arbitrary, **i.e.**, random decisions. It also helps to ensure that differences in skills and responsibilities are properly recognised and that when people increase their skills or take on more responsibilities, they are rewarded suitably;
- 3) Everyone benefits from a system which enables the pay for new and revised jobs to be settled in the same way as pay for existing jobs, because it helps to prevent **anomalies**.

An additional rationale for reforming the payment systems through this technique stems from the important fact that it, thus, leads to reduction of lost time, reduction in salary anomalies and a number of salary disputes, and improves morale. Several other by-product benefits also accrue from the data gathered (for job evaluation) through job **descriptions**.

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## 6.8 AREAS OF APPLICATION AND EVALUATORY PHASES

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It is now an established fact that job evaluation can be used to **develop pay** structures for hourly or weekly paid clerical employees as much as for managers, executives, technicians and professionals. Areas of application can be summarised as:

### Phase I : Preparatory

- a) Preparatory work concerned with policy, programme, planning and communications,
- b) Selection of the job evaluation method most appropriate to the circumstances of an organisation and tailoring it to fit the requirements of that organisation,
- c) Establishment of the necessary procedures and training of those applying the scheme.

### Phase II : Analysis and Assessment

- a) Indication to the employees concerned what the objectives of the job evaluation exercise are and how the exercise will be carried out,
- b) Description analysis, and evaluation of jobs to define job relationships.

### Phase III : Building and Pricing the Structure

- a) Positioning of jobs into a number of grades,
- b) Financial evaluation of grades.

### Phase IV : Negotiation, Implementation and Control

- a) Where applicable, negotiation of the new pay structure;
- b) Implementation of the new pay structure, perhaps on phased basis;
- c) Establishment of procedures to evaluate new and revised jobs and for maintenance of the system.

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## 6.9 PROBLEMS ASSOCIATED WITH JOB EVALUATION

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At the inception of a job evaluation application, many problems will arise – human, technical and economic. Experience shows that most of the human problems are based on or stem from the economic and technical ones. If people are ignorant as to what job evaluation holds for them it must be because the technique of communication has failed. If as a result of the application people are worse off than they expected to be, or not so well off as they hoped to be, something could not have been made clear in the first place. Nevertheless, there are bound to be some human problems which are not entirely technical in their origin. A lot of the problems will depend on the history of employee-management relationships in the establishment, so that difficulties encountered in one **organisation** will not necessarily be found in another.

Sometimes job evaluation forms part of a productivity deal, though it is hard to see just what the two things have in common. There are many instances where employees have literally been bribed to accept job evaluation in return for an increase in wages. This is typical of the confusion that exists between salary and job values.

Another important problem confronts the employees who cannot resolve whether to cooperate in an application or **not**. Quite understandably they feel that once they accept the idea they will find themselves constrained by the system, unable to **argue** objectively against 'the book'. What is essential here is that everyone should regard the evaluation simply as a basis for negotiation rather than the actual salary?

The technical problems will mainly concern the management, although of course if employees' representatives are to be included they too will need to understand the technique that is to be used. Such questions as: which is the best system?; who is going to install it?; who is going to operate it?; do we have employee participation and if so how do we go about it?; when shall we start and how long will it take?; what problems are we likely to find in running and maintaining the scheme?; will all require to be resolved. The sooner they are answered the better and certainly before the concern becomes too much involved. Not least of the technical problems will be to design the system so that it fits the complex shape of the organisation in which it is to be used. Seldom is it possible to find a readymade system which does not require some moulding and reshaping if it is to work satisfactorily. Tailoring a particular system to suit individual circumstances is often the most difficult part of the introduction.

The economic problems will be of concern to all, though for different reasons. Management will be anxious about the cost of the application (for obviously the amount of work involved is quite considerable) and about the proceeds, tangible and intangible, that are likely to accrue. Apart from the cost of introducing and running the scheme there may be wage adjustments, based on the evaluation, which can be quite expensive.

So far as the employees are concerned they will want to know what happens to the jobs that are underpaid compared to their evaluation. If their rates are raised then the others will by comparison be automatically lowered. Will job evaluations cause redundancy? It is difficult to see why it should, yet it would be extremely foolish to guarantee that it will not (or indeed that the use of any management technique will not).

**Check Your Progress**

1) What do you understand by Job Evaluation? What is its objective?

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2) What is the "Theory of Relative Values"?

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3) When do most organisations take a fresh look at their wage structure?

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4) What are the advantages of job evaluation?

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## 6.10 LET US SUM UP

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Job evaluation is a technique which aims at establishing fair and equitable pay structures in an organisation. It seeks to achieve this objective by bringing out the relative worth of jobs in terms of their complexity, skill requirement and working environments. It benefits all the arms of the organisation – management, employees and also the customers receiving services from the employees. The data generated by **job evaluation aids** human resources planning, recruitment, promotion, training and other **management development programmes**. It also aids analysis of the organisation structures and the work systems/procedures and contributes towards improving the productivity of the organisation. It is consistently used as a modern technique in all HRD practices.

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## 6.11 CLUES TO ANSWERS

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<b>Check Your Progress</b>
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- 1) Job evaluation is the process of establishing the value of jobs in a job hierarchy. The primary objective of job evaluation is to find out the value of work. Read carefully Sec. 6.3 and answer.
- 2) The theory of relative values is a theory which broadly implies that the value of anything depends on and is influenced by the values of other things. Read Sec. 6.5 and answer.
- 3) Most organisations take a fresh look at their pay structure when:
  - a) pay of jobs of similar duties and responsibilities varies violently.
  - b) technology change brings about variation in job nature and difficulty levels.Read Sec. 6.7 and add to the above answer.
- 4) The advantages flowing in from job evaluation benefit everyone: Management, employees and everyone. Read carefully Sec. 6.8 and answer.