

Problems with job evaluation and organisation design

Most job evaluation schemes drive organisation design. In this article (the first of two on the topic), Brian Dive looks at why often the unintended consequence of this can be ineffective structures, unwieldy bureaucracies, and administrative "grade" or rank promotions, leading to cost drift, hollow jobs and dissatisfied staff.

The first problem is that the purpose of job evaluation is not aimed at building healthy organisations. A healthy organisation is one that meets its mission and in which individuals can do and learn and develop at the same time.

The purpose of job evaluation

The purpose of job evaluation is to lay the foundations for a rational, fair and equitable system of pay. It is a crucial element of reward policy and strategy. The key principle of job evaluation is the assessment of different jobs using a common yardstick, and as a result establishing a pecking order of jobs.

The focus is on the job, not the jobholder. The jobholder's contribution is covered in performance appraisal. The aim is to identify the elements in a job that the incumbent can influence or might attain through training and experience. Job evaluation is an attempt to overcome subjective preferences and inbuilt biases that could jeopardise an individual's progress or reward in an organisation. Job evaluation is most likely to be required in a medium to large organisation, where not everyone is personally known to top management.

Job evaluation in practice

Since job evaluation is the basis for a pay structure (the base rate) it aims to compare all jobs with a common set of criteria that define the relationship of one job to another. It is therefore concerned with relativities not with absolutes.

Systems of job evaluation can also be compared. Many companies correlate their respective systems to make the capture of market pay data more easy and reliable. Such correlation could establish that grade 3 in one system is equivalent to 24 in another, and 56 in yet another. Pay consultants invariably have their own system of job evaluation to simplify the comparison process for individual organisations.

Job evaluation is based on a systematic and consistent capture of data. This is provided by a standard job description format used to ensure up to date information. The information is then evaluated against previously agreed criteria. These criteria form the basis of the job evaluation technique.

Four main techniques

There are four main methods of job evaluation. Two are non-analytical and two are analytical.

The non-analytical methods are **job ranking** and **job classification**. The focus in this article will be the two analytical techniques, **factor comparison** and **points rating**. The latter two approaches can be blurred in that some factors are weighted or given points, which leads to what could almost be seen as a fifth method or approach.

Factor comparison

This method examines jobs in terms of selected factors, which, it is believed, make up all the jobs in the sample. Manual jobs are often evaluated by considering factors such as:

- physical demands
- skill demands
- mental demands
- responsibilities

- environment or working conditions.

Key jobs are examined factor by factor to produce a rank order. The proportion of pay to be allocated to each factor can then be determined. Next a pay scale for each factor is drawn up to reflect its how much pay can be awarded to each factor in a given job. The sum of factor values is the rate for the job.

Common factors are more difficult to identify in more senior roles in the organisation.

Points rating

The points rating system also analyses jobs in terms of factors. The key difference from other forms of job evaluation is an attempt to weight the different factors. This is to establish their relative importance in a particular job.

For example, if skill was a factor then it might have a weighting of 30 in a scale of 100 points. The factor could even be broken down into sub-factors. Thus there might be 5 identified levels of skill that warrant separate weightings of 5, 6, 7, 8 and 9.

In complex jobs the sub-factors can be further broken down into degrees with points added for each element up to the value of the sub-factor. When all jobs have been analysed the rankings can either be expressed in points or grades with allocated points.

Points rating systems are the most common in the UK. Most consultants have adopted this approach; with one of the most widely known being the Hay Guide Chart profile method.

So, what is the problem?

All of the above approaches are quantitative. They rely on measuring the factors or elements relevant to a particular job. Thus common yardsticks tend to be sales, budgets, number of subordinates and so on.

Job evaluation schemes simply accept that a job exists and then set out in various ways to measure the components of the job to which a grade or rank is assigned. There is really no attempt to critique the quality of the job and its contribution by asking:

- why does the job exist?
- should it exist?
- does it add value to jobs below it?
- is it making different decisions to the jobs above it?
- how is the specialist nature of the job assessed?

Job evaluation schemes provide more points, grades etc for the greater amount of "resources" (budgets, people etc) that one manages. More is better. This approach encourages the adding of two jobs together to ensure more resources are managed. Thus if a grade A job is added to another grade A job, the evaluation "justifies" grade B, and so on.

Why is this an organisation design problem?

Invariably the way to get a bigger job is to add another layer into the organisation. This ensures more resources are managed which in turn enables the justification of another grade. The problem which develops is that the extra layers of management do not add value. They generate a grade promotion mentality. These "promotions" frequently represent a change in administrative ranking but do not entail a different level of accountability with a corresponding change in the quality of decisions being taken.

This process is further complicated by the awarding of key fringe benefits to certain grades. This generates all sorts of political pressure to get the "right grade". And with quantitative job evaluation systems more can always be added to get the desired answer or benefit.

As mentioned above, many international companies have correlated their job grading systems for market survey purposes. This in fact has simply spread the disease of over-layered management around the world.

Conclusion

Job evaluation aims to be objective and fair. This led to a desire for a quantitative platform. But the focus on quantity has led to a neglect of the qualitative reasons for the existence and value of a job.

The problem is, as has been demonstrated, that these schemes have had unintended and detrimental consequences upon the effectiveness of organisational structures creating unwieldy and stultifying hierarchies which are now seen as “bureaucracy”.

Brian Dive has more than 40 years international experience. He can be contacted at brian.dive@dmac1.com