

JOB-SIZING SYSTEMS

Remuneration experts are often asked about job-sizing systems, particularly points-based job evaluation methodologies versus job benchmarking. Susan Doughty answers some common questions.



ENSURING YOU ASSESS AND value a job correctly is an ongoing issue for many organisations and is fundamental to establishing an effective pay structure, containing cost, and managing employee expectations. Here are our responses to some of your questions on this issue.

We suspect our job evaluation points-based pay structure has resulted in over-paying some roles and under-valuing others. We have had to create a number of 'premium' pay ranges to manage some jobs. Can you suggest a way we can overcome this?

This can be a drawback in pay structures combining all jobs. Bands which include a range of job families will naturally result in fluctuations in pay rates even if they're 'sized' at the same level.

Increasingly, organisations are seeking to differentiate their pay structure based on job families—ie, groupings of similar jobs or a hierarchy of jobs within a functional area such as engineering, sales, IT, etc. Segmenting job families means that market data can be more closely tailored to current pay practice. In some cases, businesses may use their points-based approach for most of the organisation but use job benchmarking in key job families where they want a closer fit to market. This will avoid premium pay ranges being necessary.

Our points-based job evaluation system is difficult to explain and lacks transparency. How can we increase transparency in our

system without discontinuing with job evaluation?

Transparency is an increasing area of interest for many organisations. Employees are better informed than ever and have an expectation that there will be good defensible rationale for all pay-related decisions. A relatively simple way to overcome transparency issues in points-based job evaluation systems is to create a 'front end' to your system taking the focus away from points.

If you operate bands based on points, you can develop definitions for each band level based on generic job characteristics which makes explaining the rationale for why jobs are allocated to a par-

ticular band a more transparent process. There are simple front-end systems available that work just as easily with points-based or job benchmark market data.

Have points-based job evaluation systems had their day?

No. Points-based job evaluation systems are an effective tool for managing large volumes of jobs or unusual jobs that don't have benchmark data. They are useful for assisting large organisations to manage pay relatively simply.

Some systems were developed more than 60 years ago and have received their share of criticism; particularly on issues such as gender neutrality

and the ability to fit with flatter organisational structures. More contemporary alternatives are available in the market that better fit today's organisations and the evolving nature of jobs.

What are the advantages and disadvantages of points-based job evaluation systems?

There is no such thing as a perfect system. The table below outlines some of the pros and cons of operating a points-based job evaluation system. **et**

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The pros and cons of a points-based job evaluation system

ADVANTAGES

Good for managing large volumes of jobs.

Market data can be accessed for jobs based on 'all organisations' or by industry sector in many cases.

Ideal for establishing a market value for uncommon and unique roles where benchmark data is unavailable.

Simple process to update pay range midpoints each year as 'one size fits all'. A smooth pay curve can be developed using a regression line of 'best fit'.

Emphasises internal worth and provides a good measure of internal relativity across the organisation.

Is a systematic means of 'sizing' a job to get relevant market information.

Once evaluations are complete, determining the value of a job is relatively simple by using regression line methodology and 'plugging in' points to get a market rate.

Simple to group jobs into bands based on job evaluation points.

Training is provided by most providers in job evaluation.

DISADVANTAGES

Treats all jobs generically. It can be difficult to identify market premiums for different jobs.

Industry cuts don't recognise specific job families, ie, all jobs 'sized' at the same number of points regardless of specialisation in the sector are valued the same.

Provides a 'notional' market value for jobs, ie, 300 points = \$50,000 regardless of function or discipline.

Assumes all jobs of the same number of points are worth the same value in the market. (The market moves at different rates for different jobs and at different levels.)

System tends to value internal relativity over external market relativity.

Formula concept is misleading as it still requires considerable interpretation by assessors to determine evaluations. This can lead to poor evaluations.

The more a job can be scoped, the more points it will attract, resulting in incremental increases in salary. Often this is manipulated internally causing continual re-evaluations to occur.

Lacks transparency. Difficult to explain and justify to employees how jobs are sized and allocated to bands.

Requires significant training and education to manage the system effectively.