

An Analytical Approach to the Unequivocal Need of Organizations for Job Evaluation

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Abstract

This paper tries to answer the questions of why organizations need job evaluation. What makes this need so pressing? Why organizations show an increasing interest in job evaluation? Is job evaluation an inevitable exercise in the life of organizations - And to what extent does this reflect reality? Is there tangible evidence attesting this fast-growing need for job evaluation? Can job evaluation be responsive enough to meet the continuous change and development to job content and job requirements due to, for example, technological progress? These points represent the area / scope of the paper and reflect the main purpose behind writing this research. This in turn reinforces the value of job evaluation with respect to its purpose and place, the effect of which is to provide ever more compelling reasons why it is a tool that every organization should, at the very least, seriously consider. The paper further illustrates that the need for job evaluation can be seen through the necessity for organizations to establish a fair wage system by neither overcharging the organization's budget for the jobs performed by the worker nor underestimating the work-value of the jobholder. The purpose is to create a situation of input – output balance that equates with a fair wage being paid in return for the type of work or job in hand. This is in order to reach a win / win situation, resolve any inconvenience that may occur between employees and their employer related to wage consistency or equity, and to create a sound work climate. This accentuates that the job evaluation has become inextricable for most organizations and demonstrates how this applies, in particular, to the larger ones. It also shows that Job evaluation of Some Kind is a universal phenomenon in organizations paying wages and salaries.

Key Words: Organizations, Job Evaluation, Inevitable Need, Fair Wages, Factors, Technological progress, Change, Cost, responsiveness

1.0 Introduction

In addition to the so many ancillary advantages of job evaluation that can be found in most of the HRM text books, a disordered pay structure, in addition to creating grievances and inequity, brings about jealousy and sensitivity between workers, which often leads to resentment between individual employees and management. This can damage both morale and initiative. Despite this recognition and despite the fact that the subject of pay remains one of the most widely discussed and debated issues in business today, inequities continue to persist. Primarily, this is due to the dynamic nature of the links and interaction between the issue of pay and inter-related social, political, economic and environmental factors. These latter, inter-related factors do not (and cannot) achieve a fixed, stable equilibrium for, by definition, they change with the culture and belief systems that evolve both through time and place. Since it, too, cannot be divorced from this evolving process, it follows that the pay issue can never be settled by a single once-and-for-all formula that can be handed down through time as if it were an un-altering, unshakeable truth written on a tablet of stone. Any attempt to achieve fairness of employee pay levels can only be realised through this process rather than relying upon any practice designed to keep the pay rate unchanged.

Consequently, the job evaluation process must incorporate rigorous up-dating safeguards to ensure that it does not become out-moded or out-dated if it is to remain responsive to the developing needs and any resultant change in a job's demands or requirements of the organization concerned. In any event, whatever the advantages of job evaluation, **one should not** imagine that it is a cure for all defects. Job evaluation is **not** a magic wand for solving all pay problems. Nor is it a patent medicine or panacea to cure all the ills that a pay structure might contract. Instead it is a participative and disciplined approach that, if or when used correctly, **helps** in many instances to provide a firm base on which to build an equitable wage and salary structure.

1.1 Some key dimensions behind the importance of job evaluation:

Overall, however, job evaluation is associated with concepts and terms such as: logic, fairness, equity and objectivity in order to establish felt-fair pay differentials accepted by all the parties involved. **Logic here infers** that pay differentials should be based upon certain standards and criteria, which need to be regulated rather than determined through arbitration. **Fairness and equity refer** to just pay, based on assessment and adjustment of the pay differentials in the light of achieving balance between employees 'input' and 'output' (in this context, see for example Molander & Winterton, 1994: 135). **Objectivity here refers** to non-discriminatory job evaluation in addressing the pay differentials between men and women throughout the evaluation process (including assigning points or weights for the job factors / compensable factors). Such dimensions would make organizations more interested in job evaluation. **Otherwise**, employees seek equilibrium through making an adjustment. This is because the equity principle / equity theory has two important components that are 'assessment' and 'adjustment' (see Quible, 2001: 208; also Curtis, S. and Curtis, B., 1995: 166; Torrington et al.; 2002: 574). This also means that the equity element gives the right for the employees to appeal against management decisions on pay, if those decisions were unfair from their point of view (see Kinicki and Williams, 2006: 381/2). All these factors are designed to keep job evaluation applications abreast with the concepts of logic, fairness, equity and objectivity.

2.0 Surveys of various sectors and industries in different countries emphasize the need for job evaluation

Job evaluation has been gaining attention in spite of its relatively brief history. According to the National Board for Prices and Incomes in Britain, the need for job evaluation is mainly to offer an accepted pay structure (National Board for Prices and Incomes, Sep., 1968: ch:3: para.28; also Graham et.al., 1976: 194). In a survey of 213 British organizations, it was found that 168 had job evaluation schemes in operation, which means 78.8 percent of respondents (Thakur and Gill, 1976: 9). Lupton and Bowey (1983:11) mention that the considerable spread of job evaluation occurs in some industries and larger firms with over 10,000 individual employees compared to 25 percent in smaller establishments with fewer than 250 workers. Furthermore, a survey of 316 organizations found that 55 percent used formal job evaluation processes (Armstrong ⁽²⁾, 1999/2000:131). In the U.S.A. one third of American companies have adopted formal job evaluation plans (Calhoun, 1963: 423). Six out of every seven firms covered in a survey by the Bureau of National Affairs used formal job evaluation plans (details in Belcher ⁽¹⁾, 1974:93; see also Figart et al., 2002:121). By the mid sixties, according to a job evaluation estimate, some 50 million American employees, i.e. about two-thirds of the labour force, were graded under job evaluation schemes of one kind or another (Thakur and Gill, p.2).

The above illustration shows job evaluation to have been used more widely in the U.S.A. than in Britain. To this, the (former) Institute of Personnel Management in London (Personnel Management, 1968: Vol.7, No.12, p.3) and Belcher ⁽¹⁾ (p.94) in the United States point out that Great Britain makes less use of job evaluation than the U.S.A. but that its use is growing. Europe, too, embraces job evaluation more than Britain, with the Netherlands being a case in point. What is clear is that whilst the degree of job evaluation application varies greatly from country to country, its overall use continues to increase at a considerable rate (Brown et. al., 1972: 7). From here, strictly in this context, one can safely say that job evaluation of some kind is a universal phenomenon in organizations paying wages or salaries.

2.1 Both management and union have helped in boosting job evaluation

During the last thirty-five years, job evaluation has been increasingly used, more specifically by medium to large organizations, to assess not only managerial and clerical jobs, but also manual workers. Bradley (1979: 1) says this is because **both management and union** have come to view it as a useful aid to salary administration and the establishment of a 'fair' wage structure. In Britain, the Advisory, Conciliation and Arbitration Service (1975: 4) sees that one of the wider benefits is that job evaluation promotes more efficiency in management, working methods and removal of poor working conditions and job hazards. Thus different surveys in different organizations clearly indicate that job evaluation is becoming more popular and is becoming used a great deal more. Thus job evaluation has become more than merely an advantage but is seen as a necessity in the management of salaries and wages. In the same context, Torrington and Hall (1998: 608) see that job evaluation, as a well-established technique, has received a series of boosts in recent years. Some agencies even find it beneficial to hold intensive courses with the organization to hire specialists or consultants in this field. Others even give grants to people to study job evaluation.

However, it is relevant to mention that an initial or preparative meeting between management and union is an important preliminary step in order to pave the way to acknowledging and establishing the need for job evaluation.

3.0 Wage and salary represent major items of organizations cost

The pay factor is crucial among the reasons under-pinning the need for job evaluation in order to rationalize and systemize an organization's pay policy. In Britain, 75 percent of the expenditure of service industries, including local government and the National Health Service, goes on labour alone (Buckley, 1994:362). Similarly Cole (1997: 203) mentions that wages, salaries and related costs (such as pensions) form about 60 percent of the total running costs of some business. In the USA at General Motors, (GM), blue-collar costs represent nearly 30 percent of the total cost (Drucker₍₂₎, 1992: 42). Hence, payment of wages and salaries represents a major cost source for many organizations (Wild, 1998:240). This emphasizes the need for a proper wage and salary policy and structure intimately linked to job evaluation.

3.1 Yet, some organizations may use job evaluation as “fashion” or “cliché”

However, one may **assume** that some organizations adopt job evaluation without any real thought or appreciation as to its role and importance in their strategies. That is because such organizations view job evaluation as no more than a *fashion* or even sometimes a *cliché* in terms of a stereotypical expression of today's wage administration. Thus they want to jump on the bandwagon without realising that at some point they must grasp the reins. **The likely outcome is that the job evaluation policies of such organizations will be reactive rather than proactive** (adapted from McBride, Feb.1997: 58-60).

4.0 Factors affecting the Need for Job Evaluation

The need for job evaluation arises mainly from such factors as:

4.1 Unsatisfactory performance and production in relation to unfair pay

The problem of unsatisfactory levels of employee performance and productivity mostly stems from underestimation, unfairness and/or grievances in respect of pay (i.e. incompetent and ineffective pay systems or sometimes the lack of pay systems altogether). This creates the need for, and leads to, either the development of rational pay system(s) or the justification of existing one(s) in terms of consistency, equity, pay- differentials on grounds of job requirement, job content, equal pay for work of equal value, and equal pay legislations and policies. In the light of this, job evaluation should **not** be so rigid that it cannot cope with change at the required or relevant times.

4.2 Changes in Technology

Changes in technology affect both jobholders and payment systems. Some jobs may become obsolete as a result of what is called the *de – skilling* phenomenon in which machines have taken over human skills, whilst new jobs become available (Beardshaw and Palfreman, 1990: 20; also for more details see Sutherland, J. & Canwell, D., 2004: 93-4). The duties and responsibilities change also. In other words, the production system itself is modified in many areas in different ways. It is no longer acceptable or sensible for jobholders to receive their wages only according to the amount of effort they put into their jobs without giving enough consideration to acquire knowledge, skill, ingenuity and working methods –**as they are job's requirements**. “*One knock-on effect of IT system changes is on job evaluation*” where systems analysts have to consider the changes in the employees' jobs in order to meet the demands of new or amended systems, in which case the modified jobs must be re-evaluated (Moynihan, 1994: 157-8). Such considerations have become important in the light of developments and changes in technology. Thus, where job evaluation is used, account can be taken of such changes in jobs.

4.2.1 Area in which wage structure is affected by technology

Science and technology therefore affect the pay level and the wage and salary structure of an organization in at least four important ways:

- (i) Changes in job content, and consequently:
- (ii) Changes in job duties, responsibilities and required skill. The inevitable result would be:
- (iii) Change in the real worth of jobs.
- (iv) Increased ability to pay because of higher productivity.

In all cases such changes affect, at different levels, the relative value of jobs and require new jobs to be accommodated into the structure. As a consequence some jobs will disappear, others will remain but may require modification to a greater or lesser degree, whilst others again (though probably relatively many) may not be affected at all. In fact, changes in job content and redesigning work are co-existent operations. Job evaluation can help fit new jobs into existing pay structures, thus easing technological and organizational change. **That is to say, job evaluation can provide a means for bringing the wage and salary structure into line with the existing state of technology and the industrial organization, and for allowing the structure to keep abreast of ensuing changes. Thus, for many organizations, job evaluation is used as a control technique for their wage and salary structures** (see ACAS, 1975: 4; French, 1974: 332; Fisher, P., 1972: 20). **It is important to bear in mind and emphasize** that, as a matter of fact, a fundamental purpose of job evaluation is to evaluate the actual/present job, i.e. the job as it is now. **Job evaluation will take** into account changes in job content in terms of skill, effort, responsibility, and working conditions, **but ONLY when or after** these changes have physically occurred and have been quoted in the job description.

It may worth to note that **Changes in Technology** may have manifold impact at different levels – whether the jobs are in public or private organizations. The impact of these changes upon the job content is not limited to remuneration and compensation area where the job evaluation can find its place and role to play, but also extends to organizational structure, employee satisfaction and development, status and productivity. Remember, changes in job content can be seen (see Turban, E., et al. 1996: 746) whenever work is redesigned, particularly when the re-engineering business process is attempted. **Yet, a re-evaluation process does not necessarily mean that all features or elements of a job have been changed. In practice much of the job (content) will remain the same.** As a consequence this process tends to be one of modification as opposed to wholesale change.

Finally, changes in job content **may** result in or create some problems or conflicts, notably **in the short term**. Causal examples may be resistance to change in general and to changes in roles at various levels of the organization in particular. Obviously, such concerns cannot be ignored. However, given time, difficulties such as resistance to change will often prove to be temporary and, as a consequence, resolve themselves. Under these circumstances the evaluation process would need to take such factors on board and recommend that any further modifications at this time may well be ill-founded. Instead the evaluation may conclude that no immediate further action should be taken other than to keep the situation under constant review with a view to modifying practice only if it becomes necessary (rather than as a response to a knee-jerk reaction).

4.3 Growth in the Size of Organizations

4.3.1 Size of organization and need for job evaluation are directly proportional to each other

Job evaluation is most profitably applied in big or complex organizations and to flexible job structures of the occupations rather than to a small organization. The larger an organization, the more likely it is to have a large number of different jobs and the more likely it is to have a job evaluation scheme (as seen in the surveys and statistics in point 2.0 above). The increase in the size of organizations brings about payment system problems such as difficulties in control of costs and fair treatment for each employee, which arises where many units, each with its own individual payment system, are involved. The ensuing difficulties or conflicts will put more emphasis on the role of job evaluation.

Importantly, confirmation that job evaluation is more relevant to big establishments should not be taken to mean that the usage or application of job evaluation is limited to those big establishments. Nor should it be interpreted to mean that job was exclusively developed for large organizations. It can be anticipated that the future is likely to see a continuous increase in the use of job evaluation for all kinds of employment. Currently, job evaluation has become an instrument to limit and to some extent eliminate many of the uncertainties commonly found in wage issues thereby narrowing the area of differences of opinion between management and employees. Thus, job evaluation results primarily in a need on the part of management to find a method of determining equitable wage rate differentials and it has become a means to an end for both management and the unions for improving industrial relations (see Patton et al., p.13).

4.3.2 Not all businesses use Formal job evaluation system – a reflection

Though job evaluation has almost become an inevitable, accepted procedure for many if not most organizations today, yet some organizations still do not use (formal) job evaluation systems in determining the job rate.

Though the focus of this paper is on the **formal** job evaluation, it may be appropriate to mention here that many organizations use semi-formal or informal job evaluation procedures. This is particularly true of small businesses. In reality many organizations rely entirely on 'market pricing' in determining the rates of pay and internal relativities. In this context, Dessler (2000: 400) states that still some 20 percent or more of an employer's position comes through the market place rather than through job evaluation techniques. Henderson (1989:170) goes further illustrating a survey in which market pricing was the second largest method used in evaluating jobs. **Broadly speaking, wherever wages and salary are negotiable, the formal job evaluation methods are less likely to be used.**

Accordingly, organizations, especially big ones, have no choice but to give serious consideration to job evaluation. Thus the tendency is that it is exercised in varying degrees by most organizations. Hence, any claim that job evaluation is dying out is simply not reflected by reality. At best, such claims are greatly exaggerated (see in this context Armstrong and Brown, 2001: 43; Brown, D., 2001:130). Jane Evans, [in Hollinshead, et al., (eds.), 1999: 351] goes further, stating that for those who are critical of and indisposed towards job evaluation and who, as a consequence, have prophesied its decline, the empirical evidence demonstrating that its use is on the increase must come as something of a sharp surprise.

5.0 Summary

Job evaluation has become a widespread phenomenon particularly in the case of sizable organizations with strong trade union and capital intensity.

In addition to the fact that job evaluation is **not** limited to a general area of wage administration, at the same time, it embodies benefits that are difficult to weigh up or particularize in terms of money. In the light of the above illustrations, job evaluation can be seen as a:-

- (1) Systematic and analytical process
- (2) Rational process
- (3) Depersonalized job process
- (4) Judgmental process
- (5) Comparative process
- (6) Consistent process
- (7) Structural process
- (8) Social, economic and dynamic process
- (9) A process with some political colour, derived from government's laws and regulations, along with the political affiliations, leanings, attitudes and approaches of trade unions.

The combination of the dynamic nature of work in a high-technology society and the ceaseless demands of employees to increase their pay levels **establishes** the need for job evaluation (see Henderson, p. 169). However, **Technology modifies jobs and demands new skills and knowledge in order to perform the job in its revised composition or design.** This means changes in technology and the growth of organizations affect both jobholders and payment systems. Here lies the challenge to job evaluation which will need to be flexible, adaptable and able to address all these new developments rather than stand obstinately rigid in its application and technique. A well-designed job evaluation should bear this in mind and respond to such changes, not least through continual periodical reviews, because the world in which we live is "*a world of shortening product life cycles*" (Tidd *et al.*, 2001: 4).

Furthermore, this study has demonstrated that job evaluation is flourishing and continuously gaining momentum. This can be seen through both the increasing number of organizations prepared to adopt job evaluation schemes and by the increased weight of importance which they attach to them.). Studies and surveys mentioned in this research clearly indicate that job evaluation is becoming more popular and more widely used.

Finally, whatever the specific factors leading to the recognition of the need for job evaluation, the important decision is to appropriately / professionally start such a programme and to translate or convert it to a reality. In so doing, the organization concerned and its employees can feel, notice and receive the benefit of the application of job evaluation. This remains the case regardless of how much the above factors have **reinforced both (a) the need for** job evaluation to systemize an organization's wages and salaries payment - as one of the strongest elements in making work organization effectively competitive, **and (b) avoiding** worker dissatisfaction, resentment, and low performance.

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