Wage Consistency in the Context of Job Evaluation: An Analytical View

Muhammad Ali EL-Hajji, PhD
Former Lecturer of Liverpool John Moores University
&
Liverpool Community College
E-mail:maelhajji@hotmail.com

Abstract

Consistent pay for employees is as important an issue as it is a complex one. It is important, for it is a necessary requirement for getting employees' acceptance and satisfaction and as a factor of motivation at work for better performance. Thus, pay consistency is more complex than what the unspecialized person may think. It needs conceptual skill and digestion to understand the meaning and roles of its key concepts and the forces related to those concepts. Terms such as fairness, equity, job relativities, and relative pay in relation to internal – external forces of consistency are all examples of such concepts. It is a technical process relating to moral and ethical issues regarding, again, such factors as fairness and equity. All this is in order to get an appropriate assessment of the job's importance for the organization concerned. Importantly, job evaluation philosophy and concept are based on a wage – to – job (job content / job demand) principle rather than upon a wage – to – job holder / work performer's characteristics. Therefore, the focus concentrates upon the internal relativities / internal hierarchical value of jobs in order to reach a fair and acceptable evaluation. This in turn decides the internal job pricing and not the final (or actual) wage identified for each job. This latter process is far more complex. It refers to the creation and implementation of an overall wage structure where job evaluation is only one of the important tools used with others including such initiatives as wage market surveys and wage curves.

Key Words: consistency, internal – external consistency, environment, job evaluation, equity, job relativities, pay level, job price, fairness, ethics.

1.0 Introduction

The element of consistency (fairness associated with harmony) refers to the normal sensitivity (including feeling, awareness and understanding) of the organization towards the setting of precedents. Thus, any anomaly in the pay differential (particularly in bureaucratic establishments of high stability and control of their members at work) is likely to result in provoking feelings of unfairness. Often, employees may be content to remain calm as long as the internal wage structure is consistent. But any inconsistency in pay rate treatment, however slight, would be more than enough to trigger the employees' nerves against the dubious fairness of the pay structure such that they might collectively marshal themselves by way of an orderly consensus. **This is an area where errors are very seldom tolerated.** Hence great care should be taken when dealing with them. **Fairness, then, is a two-way road** where both employers and employees want a fair deal and treatment, though in practice the area or zone of fairness for each party is not the same. Away from the theory, **employers** always like to pay the **least** wages and salaries to employees in order to minimize costs, whilst **employees** would like to have **maximise their return for the work that they do**. To strengthen their position both parties will often be aware of what competitors are paying or offering.

Despite the above, it is an arguable point that employees in the USA seem to have little systematic knowledge of pay-rates within other firms. By contrast, the inter-firm comparisons do play an important role for Swedish employees (Boeri *et al*. eds., 2001: 106). Regardless of whether or by how much this situation reflects the level or degree of unionism in USA and Sweden – since a function of unions is to keep employees aware of the wage rate across firms – **no job evaluation plan should in any way ignore inter-firm standards of pay,** for they form an important element in determining wage levels in relation to wage-rate consistency.

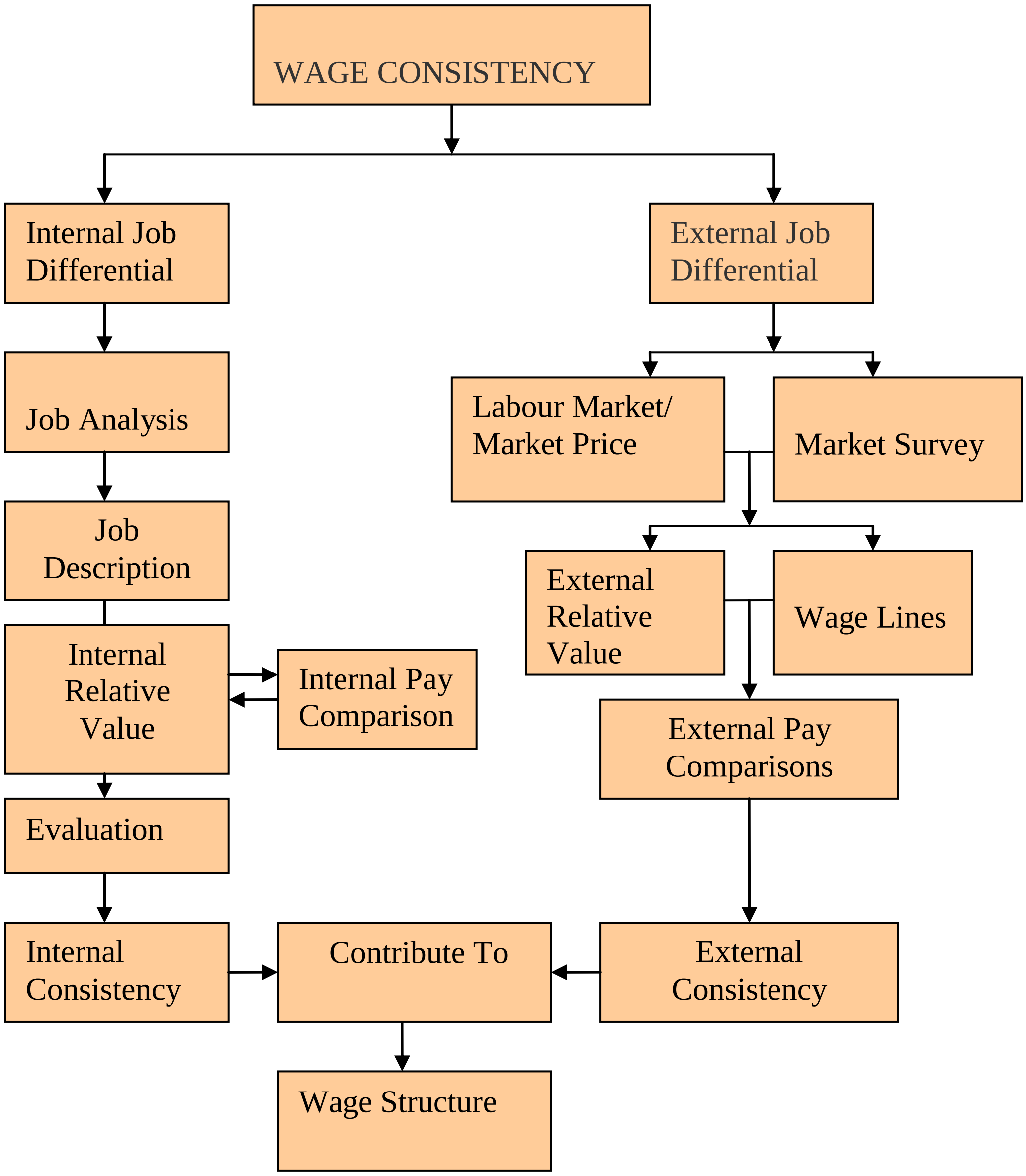
In this context, therefore, we would share DeCenzo and Robbins (1999:325) view of the term 'fairness' in that it means that a wage or salary is adequate for the demands and requirements of the job. [For some key differences between wage and salary, see point **7.0** at the end of the article].

1.1 Fairness is a moral and ethical issue in many senses

The fairness of pay, after all, is a moral and ethical issue that stands out within all the various levels of organization, society, economics, politics, methods and procedures, i.e. it reflects the level of civilized attitudes and manners of the main culture (society with all its prevailing systems) and the sub-culture (organizations) as both the system and the people within it.

This reflects the level of understanding and appreciation for the concept of fairness. Therefore, the need is for fairness to be conducted systematically. In this context, Sisson (1994: 444-5) similarly states that the basis for managing fairness lies in the characteristics of its normative, relative, conservative, procedural rectitude and parochial nature. However, consistency in the context of job evaluation may be seen in terms of both internal and external consistency:

Consistency In The Context of Job Evaluation:
Internal – External Consistency (in diagram)



2.0 Internal Consistency

2.1 The meaning of internal consistency

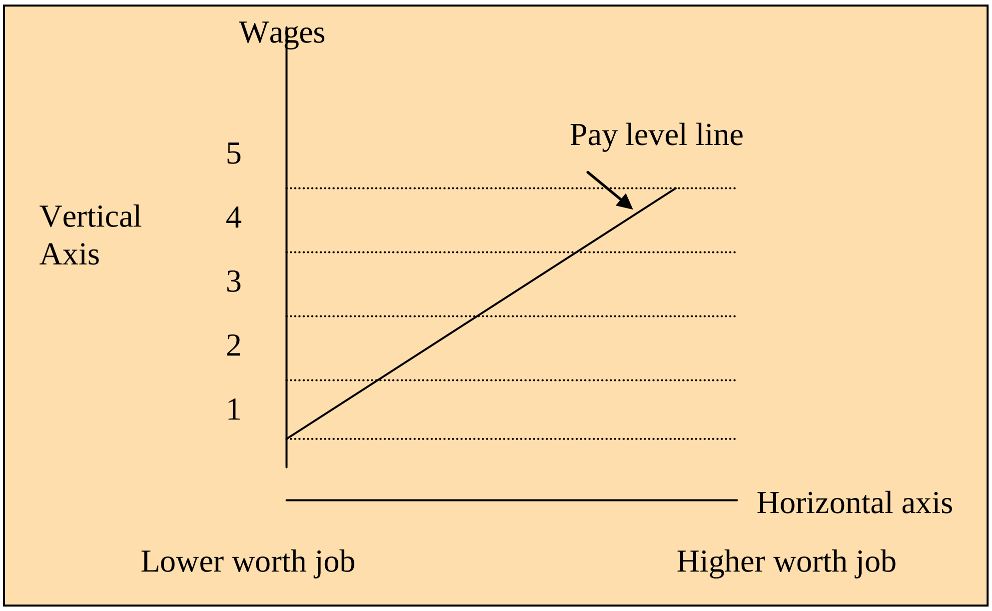
Internal consistency means that there is a hierarchy of value among jobs and that pay is determined according to the worth of each. It must be borne in mind that the concept of job evaluation is built on a wage-to-job principle and not upon wage-to-individual worker principle. Thus, job evaluation in any organization could be considered as the spinal cord of the payment structure. Fig. 2, below, illustrates the relation between relative worth and rate of pay.

2.2 Internal consistency assumes

Therefore, it is proposed that the rate of pay should be reasonably proportionate to the real worth of a job compared to that of other jobs within the organization. **In this context, job evaluation is** that instrument or process in which the organization tries to establish the relative internal worth of different jobs in relation to each other.

Otherwise an employee may not necessarily be satisfied with his pay, even if it is equal to that of his fellow employees in other establishments, since the rate of pay for the job is not decided according to the real worth of the job in his organization. Bear in mind that the determined relative value for a job in an organization is not inevitably consistent with other organizations in the locality and neighborhood. That is because it is hard to find other businesses placing the same relative value to the same job in their organizations. This in turn, will create a problem for the external consistency of the relative job values where other organizations may offer or pay more than what is offered for the same job by the organization in question (see Berger and Berger, 2000: 42). For details about the behavioural reactions predicted in underpayment and overpayment conditions and the consequences of inequitable practices and perceptions, see Carig C. Pinder, (1998: 292-3).

Figure 2: The Relation between Relative Worth and Rate of Pay



2.3 Internal consistency has more impact than external consistency, though both are needed:

However, this case would not usually create a severe problem since it represents an inconsistency of the external underpayment against the internal overpayment. But it would bring about a real problem if it were the other way round. To this, ACAS (1982: 8) sees that it is **not usual**, for an organization, to offer lower wages or to reduce individual pay **as a result of** job evaluation. (Further illustration below).

2.4 Setting levels of pay

Generally speaking, setting pay levels, in the words of Joiner (1994: 247), should not be ***"**significantly above or below market**"***. Swannack (1975: 34) sees that in the small organization, however, salary matters are often dealt with by the departmental head concerned, and in these situations it is sometimes difficult to achieve consistency in salary administration throughout the organization.

Job evaluation has indeed been impressive as an evolving tool to serve management in rationalizing internal pay structures (see Patten, 1977: 8). Thus the evaluation procedure must produce an internally acceptable series of relative job values, which also make sense in relation to job market values as an aspect of external consistency (McBeath, 1966: 189). In this way, the (fair or acceptable) relative job values would be one of the most important elements in setting the wage and salary levels. Furthermore, it may help answer the question raised by Barrow et al., (2000: 169) of how wage and salary levels offered by one employer compare with those offered by similar employers in the locality.

However, Milkovich and Newman (2002: 61) see that two sources of fairness are important. These are 'procedural justice' or the procedures for determining the pay structure and the actual outcomes of those procedures – the pay structure itself – which is called 'distributive justice'. (Also see Schuler, R.S. et al. 1999: 272-3).

3.0 External Consistency

3.1 External consistency and external environment

An external wage structure exists within an external environment. Sound wage structures are subject to the forces of internal logic as well as those of the external environment. (See Kerr & Fisher, L., Harvard Business

Review (HBR) May 1950: 77; Lupton and Bowey, 1983: 11; Armstrong, 1988: 353; Armstrong, 1999: 17-18).This environment consists primarily of:

(1) The labour market; including nationally negotiated wage settlements, competitors' wage rates or market rates, levels of unemployment in the area and the opportunities to get another job.
(2) The intra-industry relationships
(3) The political situation of union(s)
(4) The collective agreement.

The entire above are intertwined.

3.2 Meaning of external consistency

External consistency refers to the importance of harmony of the wages and salaries paid by an organization in relation to those paid by other organizations in the same field and community. It may also refer to outside considerations where the organization has no hand in, or no clear influence, over them (Buckley, 1994: 365). For example, the pay level of the fire services in Britain resulted in a serious industrial dispute between ambulance crews and their management (Ministry of Health) at the end of 1989 (Torrington and Hall, 1998: 602) when comparing their pay level with close or similar services in the region. Such a practice by workers is referred to as 'catch-up' or 'leap-frog' comparability.

3.3 Consistency brings about harmony and wage satisfaction for employees and employer:

Therefore it is assumed that, in practice, the employee's payment level reflects both internal and external considerations though basically job evaluation is more concerned with **internal** rather than external relationships between jobs. Although an ultimate objective of job evaluation is employee and employer satisfaction with wages and salaries paid, it is believed that if wages are consistent both internally and externally, then it will result in satisfaction. In organizations with effective programmes of wage and salary administration, the internal relationships are monitored through constant participation in, and evaluation of, compensation surveys. Thus, the emphasis is upon consistency. One great value of job evaluation is to provide a means for establishing a consistent basis for sound differentials for the future (see Persson, 1977: 7; Flippo, 1966: 281; Leigh, 1962: 129).

3.4 *The* importance of consistent and equitable pay for the employee stems mainly from the following:

(1) It is a basic determinant of the employees' worth to the organization they work for.
(2) It represents a basic determinant for employees' pay in relation to the skill, effort and time they put in.
(3) It provides a measure of status and recognition.
(4) It directly affects the employees' standard of living.
(5) Thus, it has a direct effect over the factors of employees' satisfaction and performance – qualitatively and quantitatively.

However, the above illustrations may also show how much important it is for the relative pay to be measured, assessed and determined soundly and appropriately. This is because the relative pay can be seen as being more important than the absolute pay. For example, often, there tends to be a comparison between inputs – outputs with those of others and an expectation of just and equitable pay as a consequence (see Elizer, 1980**:** ix – preface).

4.0 Can job evaluation be a remedy for all internal – external equity problems?

Accordingly, can one claim, definitively, that the job evaluation would eventually solve the internal-external equity problems? Clearly, the answer is 'No'. No-one could claim this because of the difficulty in creating a complete, appropriately balanced input-output ratio. Yet, job evaluation is not only a useful and helpful tool towards pay equity but a necessary one. The gap or the relatively small difference(s) between the internal inequities or external inequities could be bridged or rectified through a judgmental process delivered by the job evaluation committee members (specialists/experts) in order to bring the system into being and help settle or solve the pay inequity problems. This does not mean that one could define the job evaluation system to a degree at which it becomes completely precise and right where all the concerned parties are fully satisfied with the outcome. There will always be people within one group or another, whether employees or management, who will have reservations or objections and will be dissatisfied with the end result. Like so many things in life, it is hard (if not impossible) to please all the people all the time.

In the light of: (a) the above discussion, (b) the conventional philosophy of job evaluation and (c) the practices of job evaluating, job evaluation may be seen as a systematic technique that **facilitates** the process of determining pay ranges **basically** through the assessment of the jobs' internal relative value.

Then the result obtained from the process of job evaluation will be utilized in another separated and different process in relation to external considerations (market rates or prices) in order to reach internal-external equity and consistency. Consequently, job evaluation is a means of creating a felt-fair ranking system of the jobs and their respective payments in the perception of jobholders. In this case, however, internal-external equity and consistency reflect the **two environments** that all organizations have to live and operate in**:**

Firstly, there is the internal environment which is unique to the particular organization or business and **secondly**, there is the wider external environment which is shared with other organizations or market places where actions and attitudes of one business, particularly big ones, affect others. Such effects will be keenly felt locally but may also have repercussions regionally or even nationally (see Cartwright, R., 2001: Preface). As far as job evaluation is concerned, the primary environment is of more importance. It therefore takes priority and thus becomes the one that is focused upon. However, in the literature of job evaluation one may find that **consistency sometimes is called equity;** and accordingly internal and external consistency are synonymously used for internal and external equity or vice-versa. In *this* context the meanings of both consistency and equity in job evaluation can be seen to interrelate with each other. Nonetheless, on the broader front each term comes with its own detail at which point the two terms are no longer interchangeable. Thus, on a note of caution, all references to these terms throughout this paper are to be read in the broader sense (ie. with their own separate, distinct meaning and identity) – unless stated otherwise.

In a research study, Duncan Brown (2001:130) found that a sense of fair and consistent administration together with good internal relations is a vital determinant of the perceived equity upon which employee satisfaction with pay largely depends.

5.0 Pay acceptance by employees does not prevent them from holding "leapfrogging"

It is worth emphasizing that, an acceptance of a pay level or structure by the employees does not infer or guarantee that they will cease making unfavourable pay comparisons with jobs in other organizations in the surrounding environment (Lupton and Bowey, p.133). Nonetheless, the operation of internal-external pay comparison may be viewed, by some, as the first faltering steps towards a national pay scheme, though it should be stressed that the task of job evaluation at a nation-wide level would be a difficult exercise to accomplish (Evans, 1999: 360, 371). Finally, it is important for the employer to be aware of the levels of wages and salaries, around him, provided by competitors, where this can impact upon motivation, feeling of belonging, commitment, and the productivity of employees. The employer may also gather the required information regarding the external – equity or market wage rates in-house (particularly through its HRM department) or externally through professional / specialized agencies.

6.0 Summary

In the job evaluation context, external (pay) consistency involves comparing job pay in one organization with a similar job in different organizations - often in the same locality or neighbourhood. Internal (pay) consistency, in that respect, is based on comparing what an organization pays for a job, in relation to the pay for different jobs (at the same or different levels) in the same organization. Job evaluation outcomes may also be affected by the general economic situation; influenced by government legislation and policies, and coloured by future trends and developments (as and when these occur). To ensure fair pay, it needs to be associated with the BPEST analysis (business, political, economic, social, technological factors).

That is to say, all these factors explain why job evaluation is **viewed as a systematic and judgemental process** used in determining the appropriate rate for the current job. **It is systematic**, because it is not processed randomly, but purposely/meaningfully and carefully. **It is Judgemental**, because it involves human judgement / personal values and, to an extent, subjects to some internal and/or external influence or pressure on the part of the assessor.

It is worth emphasizing that job evaluation is basically concerned with the internal coherent and consistent pay (i.e. internal equity) and it can be used as a basis for external pay comparisons.

Note: the term "job pricing" or "job price" has been used in a metaphorical sense. Unless the term refers to a final or actual pay level, it should be taken as referring to an internal job pricing process. This is because job evaluation essentially is about grading jobs according to their rank order of relativities and **not** about determining the final/total pay rate for the jobs.

7.0 A short reflection upon the traditional view of the differences between wages and salaries

A wage or salary is a compensation of a stated sum paid against a person's work performance, i.e. it is a reward paid in exchange for the employee's working skills and experience; it is the price of labour.

Traditionally, wages tend to be calculated upon an hourly rate. They are usually related to manual employees who have their earnings paid to them in cash or paid into their bank accounts on a weekly or fortnightly basis. Where they work beyond their contracted hours this will usually be formalised and over-time rates are paid as a consequence. Workers in the areas of production or service wage earners are often called 'blue collar' employees. By contrast (again taking the traditional position) salaries are fixed annual earnings, paid on a monthly basis, either by cheque or directly into those employees' bank accounts. It is unusual for these employees to be paid over-time. Frequently, those working in areas of administration and management (salary earners) are referred to as 'white collar' employees.

However, today this kind of distinction, in the context of an organization's wages and salaries structure, is not clearly defined and is used less frequently. Furthermore, job evaluation does not concern itself with whether an employee is labelled a 'blue collar' or 'white collar' worker. Instead it deals directly with the employee's job content rather than anything else. Beacham (1979: 1) goes further; he states that the term 'wages', in the context of employer-employee relations, encompasses all kinds of remunerations including salaries. In North America and Britain (Bratton and Gold, 2003: 292), many employers have introduced " single status" pay systems where employees – be they blue collar or white collar – receive the same number of holidays, sick leave and pensions, in a manoeuvre to harmonize the terms and conditions of employment between these two types of employees.

Whatever payment an employee receives (and by whatever method she or he is paid) a detailed pay statement should be formally provided by the employer.

References

Advisory, Conciliation and Arbitration Service (ACAS.) (1982) Job Evaluation, revised, London: for H.M.S.O by The Holly Press LTD.

Armstrong, M. (1988/1990) A Handbook of Personnel Management Practice, 3rd ed., London: Kogan Page.

Armstrong, M. (1999/2000) Employee Reward, 2nd ed., London: Chartered Institute of Personnel and Development (CIPD).

Barrow, C.; Barrow, P. & Brown, R. (1998/2000) The Business Plan Workbook, 3rd ed., London, U.K.: Kogan Page Limited.

Beacham, R.H.S. (1979) Pay Systems Principles and Techniques, London: William Heinemann.

Berger, L.A. and Berger, D. R. (2000) The Compensation Handbook, 4th ed., USA: McGraw Hill.

Boeri, T. et al. (eds.) (2001) The Role of Unions in the Twenty-First Century, Oxford, Britain: Oxford University Press.

Bratton, J. and Gold, J. (2003) Human Resource Management Theory and Practice, 3rd ed., Britain: Palgrave Macmilan.

Brown, D. (2001) Reward Strategies from Intent to Impact, London, U.K.: Chartered Institute of Personnel and Development (CIPD).

Buckely, M.W. (1994) The Structure of Business, 3rd ed., London-U.K.: Pitman.

Cartwright, R.I. (2001) Mastering the Business Environment, Britain: Palgrave Publishers.

DeCenzo, D. & Robbins, S.P. (1999) Human Resource Management, 6th ed., U.S.A.: John Wiley & Sons, Inc.

Elizur, V. (1980) Job Evaluation: A Systematic Approach, Britain: Gower Publishing Company Limited

Evans, J., Pay, in Hollinshead, G., Nicholls, N., Tailby, S., (eds.), (1999) Employee Relations, London: Pitman Publishing

Flippo, E. B. (1966) Principles of Personnel Management, 2nd ed., New York: McGraw-Hill Book Co.

Joiner, B. L. (in collaboration with Reynard, S.) (1994) Fourth Generation Management, U.S.A.: McGraw-Hill., Inc.

Kerr, C. & Fisher, L.H. (1950). 'Effect of Environment and Administration on Job Evaluation', Harvard Business Review, Vol. XXVIII, No. 3, May.

Leigh, J. (1962) 'Job Evaluation' Personnel Management, Institute of Personnel Management, Vol. XLIV, No. 361, London, September.

Lupton, T. & Bowey, A. (1983) Wages and Salaries, 2nd ed., Britain: Gower Publishing Company Limited.

McBeath, G. (1966) Organization and Manpower Planning, London: Business Publications Ltd.

Milkovich, G. T. & Newman, J.M. (2002) Compensation, 7th ed., U.S.A.: McGraw-Hill Higher Education.

Patten, T.H. Jr. (1977) 'Job Evaluation and Job Enlargement: A Collision Course?', Human Resources Management, Vol. 16, No. 4, Winter.

Persson, L.N. (1977) 'A Method for Determining What the Job is Worth', Administrative Management, March.

Pinder, C.C. (1998) Motivation in Organizational Behaviour, New Jersey, U.S.A.: Prentice-Hall, Inc.

Schuler,R. S.& Jackson, S. E. (1999) Strategic Human Resource Management Britain: Blackwell Business Ltd.

Sission, K. (ed.) 1994) Personnel management: Comprehensive Guide to Theory & Practice in Britain, 2nd ed, Britain, Blackwell Publishers Inc.

Swannack, A. R. (1975) 'Small Firm Salary Structures', Personnel Management, the Journal of the Institute of Personnel Management, Vol. 7, No. 1, London: January.

Torrington, D. and Hall, L. (1998)) Human Resource Management, 4th ed., London: Prentice-Hall Europe.