The Appliance of an Inexact Science

Job Evaluation in the 21st Century

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1 Introduction

Since it was first introduced in the 1920s, the popularity of job evaluation (JE) to determine the relative worth of jobs in a workplace has gone in waves – rising and falling depending on trends in reward management. After declining in popularity in the 1980s and early 1990s as market rates became the dominant method of determining pay levels and flatter and more flexible structures the norm in pay architecture, the proportion of organisations using JE has risen again, stabilising at a bit less than half of organisations in the UK. The latest CIPD (2005) annual reward survey shows that in 2004 nearly 46 per cent of employers use JE to determine salary rates, ranges or mid-points for some or all of their employees. A survey of 236 organisations in 2002 by the online reward site, e-reward found that 44 per cent of respondents used formal JE (e-reward, 2003). IDS (2003) reported that: 'increasingly, JE is finding a rejuvenated role as a dynamic tool for driving forward changes in organisations' reward structures'.

One reason for the renewed interest in JE, is the drive for equal pay between genders, which was given added impetus by the requirement, introduced in 2002, to conduct equal pay reviews in the Civil Service and by the 2002 Employment Act's introduction of an equal pay questionnaire that requires employers to supply information to help establish whether an employee is receiving equal pay to colleagues of the opposite sex. From an employers' perspective, an analytical JE scheme may provide the best defence against equal value claims. Changes to the reward structures in much of the public sector – such as the move to single status pay arrangements in local government and the introduction of Agenda for Change in the NHS, which will see 650 different staff grades replaced by eight national pay bands – has also generated renewed interest in JE.

JE has been criticised for being inflexible and too bureaucratic, for presenting an unwarranted 'illusion of precision' (IDS, 2000) and for being costly in both time and money. As such, it has been considered irrelevant in today's flatter, less hierarchical grading structures. Nonetheless, there is evidence that JE is adapting to meet changing business needs, underpinning moves to radically alter existing pay structures and assisting in the resolution of pay issues following a merger or

acquisition, as well as in clarifying the positions and relative values of jobs in broad banded pay structures. It can also assist non-pay issues, such as skill needs analysis, the identification of competencies and career paths. IDS (2003) claims that some organisations that had moved to 'looser market-based' arrangements are now turning back to JE as a means of providing 'extra solidity and transparency'.

2 Job Evaluation at Work

2.1 Overview

> *'There is no choice about job evaluation. All organisations must make decisions on rates of pay and those decisions are based on judgements about relative job values within the organisation or on market rate imperatives or perceptions. The choice is therefore concerned not with the need to evaluate jobs but whether or not a formal evaluation scheme is required.' (Armstrong, 1999)*

Acas (2005) describes JE as a 'systematic and consistent approach to defining the relative worth of jobs within a workplace, single plant or multi-site organisation'. Similarly, IDS (2003) says JE provides a 'rational basis for comparing the relative worth of jobs'. Simply, JE enables organisations to rank jobs according to the overall demands of the post and not the jobholder. It does not determine actual pay, but is commonly used as a basis for determining fair salary and grading structures. It is a systematic process rather than a scientific one (Marchington and Wilkinson, 1996). Evaluation consists of a measuring scale and the aspect of work being measured, either the whole job or a series of elements making up the job (Watson, 2005). The two main types of JE are analytical schemes, which break jobs down into their different components, such as the physical and mental skills involved, and non-analytical schemes, where each job is examined as a whole. Analytical approaches, which tend to provide a higher degree of rigour and objectivity, minimise the potential for gender bias and are therefore more popular than non-analytical schemes.

According to the CIPD (2005), JE is desirable when the number of employees goes above 50 and essential when it exceeds 150. Traditionally, JE has been used for white-collar positions, but has gradually evolved to cover all types of jobs. E-reward found that 75 per cent of organisations surveyed operate a single JE scheme covering all employees. Of the 79 organisations in the IRS survey using JE, almost 57 per cent say the process applies to all jobs, with the remainder saying it applies to some jobs only. The most recent CIPD reward survey (2005) shows that JE is used as a method of determining salary rates/ranges/mid-points for senior management in 38 per cent of

organisations; for middle/first-line management in 39 per cent; non-manual, non-management staff in 38 per cent; and for clerical/manual employees in 36 per cent.

The main attractions of JE are its ability to provide a basis for the design and maintenance of a rational and equitable pay structure, manage internal relativities and, where an analytical scheme is used, as a potential defence against an equal pay claim. Organisations can choose from proprietary, off-the-shelf JE systems, proprietary schemes tailored to their own or sectoral circumstances or specially developed bespoke approaches.

2.2 Use of job evaluation

The use of JE appears to be on the increase again, following a period of relative unpopularity during the much of the 1980s and 1990s, though recent research by the CIPD suggests that the rise in the proportion of organisations using a formal scheme may now have reached a plateau. The latest CIPD annual reward survey found that, on average, almost 46 per cent of organisations used JE to determine salary ranges in 2004, compared to 48 per cent of organisations in 2003 (CIPD, 2005; CIPD, 2004).

Research shows that JE is more common in the public and voluntary sectors than private industry, and its incidence increases with establishment size. The most recent figures indicate that around half of public sector (51 per cent) and voluntary sector (48 per cent) organisations use JE, as well as 44 per cent of manufacturing and production companies and 40 per cent of private services firms (CIPD, 2005). Underlining the greater popularity of JE in the public and voluntary sectors, e-reward (2003), which in 2002 discovered that 44 per cent of UK organisations use a formal scheme, found that 68 per cent of such organisations use it compared with 39 per cent of those in the private sector.

There are a number of reasons why organisations use JE. Analytical JE (see below) is a potential defence against equal value pay claims as it enables an employer to demonstrate that he or she has systematically compared jobs. The CIPD (2004) says the rise in the proportion of organisations using JE over the past few years is prompted in part by concerns over equal pay. Around half the 162 organisations polled by IRS (Egan, 2003) said JE is used to conduct equal pay audits, which the HR analysts reported is a significant development since it last surveyed JE arrangements in 1998.

However, equal pay considerations are not always the main motivation for introducing a scheme. Of the five top reasons for introducing JE reported by respondents to the IRS survey, less than five per cent said their organisation had done so because of equal pay concerns compared with nearly a third (32 per cent) who claimed JE was introduced to underpin new pay and grading arrangements. IDS (2003) reports that all seven of the organisations it examined – including East Midlands Electricity, Network Rail, Prudential UK & Europe and Sainsbury's – had

developed JE schemes to support the establishment of new pay and grading arrangements. Nonetheless, a properly conducted evaluation exercise can help to ensure that the introduction of a new or revised pay structure is equitable.

Equal pay legislation

The Equal Pay Act 1970 and Equal Pay (Amendment) Regulations 1983 require organisations to maintain a fair and orderly grading structure that is free from gender discrimination. The 1970 legislation – later amended by the Sex Discrimination Act 1975 and 1986 – gives a woman the right to equal treatment to a man where she is employed:

- on work of the same or broadly similar nature
- in a job which, though different, has been rated as equivalent to the man's job by a JE scheme.

Under the 1983 Regulations, a woman can seek equal pay to a male comparator, who, although engaged in different work, does work of equal value in terms of the demands of the job. Employers can justify the difference in pay only where it is due to a material difference. The Employment Act 2002 introduced the equal pay questionnaire, which requires the employer to provide relevant information to a woman employee considering making an equal pay claim. The 1983 Regulations stipulate that a claim will fail if both parties - the claimant and her comparator – are covered by the same JE scheme, unless the scheme can be shown to be biased on the grounds of gender. Only analytical JE schemes are likely to provide a potential defence against a charge of sex discrimination because, unlike non-analytical techniques, the evaluation is more likely to be objective and transparent. By contrast, the focus by non-analytical techniques on the 'whole job', means that the status quo, and any underlying gender bias in the pay structure, is often perpetuated (Acas, 2005).

Research by e-reward (2003) found that using JE combined the equal pay driver with pay structure aims. The five main reasons given for the application of JE were to:

- provide a basis for design and maintenance of a rational and equitable pay structure
- help manage job relativities
- assimilate newly created jobs into the structure
- ensure equitable structure
- ensure the principle of equal pay for work of equal value.

IDS (2003) also uncovered a range of reasons behind the renewed interest in JE, including equal pay considerations. However, according to the pay analysts, the factors being measured by JE are also found in role profiles, making it easier for employees to compare jobs and plan both lateral and vertical career moves, for example. Egan (2003) also reports that JE provides some useful 'spin-offs', including

clarifying career paths, and helping to develop performance management/appraisal systems and identify and measure individual competencies.

Moreover, Acas (2005) says that because JE tends to provide more accurate information about the content of jobs, it can provide the employer with the following benefits:

- the opportunity to review roles, and policies on selection and training
- the ability to improve HR management through a greater understanding of the skills and training needed for particular jobs
- the opportunity to review the organisation's structure and working methods, design better jobs and identify poor working conditions and job hazards.

The accelerating speed of technological and organisational changes mean that few jobs remain unaltered for long, so employers increasingly require a tool to ensure existing grading systems are still appropriate. Acas (2005) claims a properly designed and installed a JE scheme that includes an appeals procedure can help maintain the credibility and acceptability of a grading structure. JE provides a mechanism for dealing with grievances about pay and staff are more likely to accept the outcomes of a formal and transparent process for resolving pay issues than one that is ad hoc or inconsistent. JE may also make it easier to fit new jobs into an existing pay structure.

2.3 Types of job evaluation

Broadly, there are two main types of JE – analytical and non-analytical. Given its potential to provide a defence against equal pay claims, it is not surprising that analytical schemes are far more popular than non-analytical ones. E-reward (2003) reported that 79 per cent of respondents use an analytical approach, while IRS found that analytical schemes were favoured by 86 per cent of organisations surveyed (Egan, 2003). In addition to being a potential defence in an equal value claim, many organisations favour analytical schemes above non-analytical ones because they provide a rationale as to why jobs are ranked differently and because they are generally regarded as less subjective. Non-analytical techniques score because they tend to be easy to apply, less costly and more flexible than analytical schemes.

2.3.1 Analytical job evaluation

Analytical JE schemes break jobs down into their core components or elements, which are referred to as factors. Considering jobs as a series of parts rather than as a whole, allows employers to look at each factor to be measured individually and give a value or points score to indicate the relative importance of each one. Adding together all the points or values allocated to each factor gives the total score, indicating the overall value of a job in the organisation. Most schemes have some form of weighting relating to the size of the contribution of each factor to the maximum overall job score. Factors

tend to have a number of different levels that reflect their greater complexity or scope for differentiation. As long as the factors being measured are not discriminatory or the scores do not involve some unjustified weighting – such as valuing physical strength over manual dexterity – then analytical schemes are a potential defence against equal value claims[1] (IDS, 2003).

As Table 1 illustrates, the selection of factors used in JE can potentially be discriminatory. The table shows how the choice of factors has evolved to counteract accusations of bias. As Armstrong et al (2003) point out, the exclusion from the older scheme of factors to measure responsibilities, physical skills and emotional demands 'cannot be easily justified'.

Table 1: Factor choice: local government JE schemes of the past and present

Greater London Whitley Council JE scheme (1971)	NJC JE scheme (1997)
1. Education	1. Knowledge
2. Experience	2. Mental skills
9. Creative work	3. Interpersonal/communication skills
8. Contacts	4. Physical skills
5. Supervision received	5. Initiative and independence
6. Work complexity	6. Physical effort
3. Supervisory responsibility	7. Mental effort
4. Decisions	8. Emotional effort
7. Assets	9. Responsibility for people
	10. Responsibility for supervising others
	11. Responsibility for financial assets
	12. Responsibility for physical resources
	13. Working conditions

Source: Armstrong et al (2003).

Today, the most frequently used factors are:

- knowledge and skills – *eg* work experience, qualifications, specialist training, length of service
- communication and contacts – *eg* social skills, enthusiasm and diplomacy
- decision-making – *eg* judgement, initiative and analytical ability
- impact and influence – *eg* efficiency, impact on customers, responsibility and results of errors

[1] provided that they have been applied in a non-discriminatory manner

- people management – such as, human relations skills, ability to deal with work pressure and supervisory responsibility
- freedom to act – *eg* depth of control and supervision received
- working environment – *eg* knowledge of special working practices and breadth of management skill required
- responsibility for financial resources – *eg* budgeting.

Watson (2005a) says analytical JE schemes can be categorised as those that compare factors or attribute a points rating or that rate competence.

- **Factor comparison** – a job is compared with another job rather than against an independent scale. Different approaches include comparing a number of factors in different jobs on a simple scale to see they are the same, smaller or bigger (called graduated factor comparison) and comparing the content of jobs against a set of factor descriptions arranged in order of difficulty (called analytical factor comparison).
- **Points rating** – factors are scored against a numerical scale, with the overall score providing the total job size.
- **Competence-based** – the skills (competence) and behaviours (competency) required to do different jobs at different levels are valued.

Egan (2003) claims points rating is the most commonly used JE method. She believes that its popularity rests partly on the fact that assigning points assists objectivity and provides evaluators with defined yardsticks to assess the specific components of each job. Points rating approaches are also particularly suitable for computer-aided JE.

Job evaluation in the NHS

Following the announcement of *Agenda for Change: modernisation of the NHS pay system* in 1999, a working party was established to develop an appropriate JE scheme. One of the reasons for NHS pay modernisation was to ensure equal pay for work of equal value, so it was crucial that the NHS JE scheme was fair and non-discriminatory in both its design and implementation. The analytical, points rating scheme introduced consists of the following 16 factors:

1. communication and relationship skills
2. knowledge, training and experience
3. analytical and judgmental skills
4. planning and organisational skills
5. physical skills
6. responsibilities for patient/client care

7. responsibilities for policy and service

8. responsibilities for financial and physical resources

9. responsibilities for HR

10. responsibilities for information sources

11. responsibilities for research and development

12. freedom to act

13. physical effort

14. mental effort

15. emotional effort

16. working conditions.

Each factor has between four and eight levels. For example, the five-level working conditions factor ranges from 'exposure to unpleasant working conditions is rare', which is considered level 1, to 'considerable exposure to hazards', which is given a level 5 rating. Groups of similar factors have equal weighting under the scheme, so, for example, the six 'responsibility' factors each attract a maximum of 60 points. By contrast, each of the four 'effort' and 'environmental' (working conditions) factors can score up to 25 points. As a result, a level 1 rating under the 'working conditions' factor attracts three points, whereas the top, level 5 rating is given the maximum 25 points (Department of Health, 2004).

Pitfalls and problems

All schemes have their disadvantages, and most analytical arrangements, particularly points rating and competence-based ones, suffer because they are complex to develop, requiring specialist support and extensive resources to implement and maintain. Watson (2005a) says the main problems associated with each of the three analytical approaches are:

- factor comparison – it is judgmental, and often lacks job content definitions and rank order
- points rating – as well as being complex to develop and costly to implement and maintain, its scientific appearance is often misleading. Judgement is required to assess jobs against the scale. It also assumes that all jobs can be quantified on the same scale
- competence-based – as well as being complex to develop and costly to implement and maintain, it has a psycho-science appearance, values inputs over outputs in the assessment and requires more difficult personal judgement.

Lawler (1988) is particularly critical of traditional points rating schemes, believing they can create unnecessary and undesirable 'pecking orders' and power relationships, as well as an internal wage structure in which promotion is almost the only way of increasing compensation. He also points out that a points rating scheme encourages the writing of 'creative' job descriptions to improve the chances of getting pay increases. IDS (2003) counsels smaller organisations to avoid points rating schemes because the exercise can be a lengthy, often requiring external support and/or significant input from managers and HR staff. Acas (2005) warns that points rating is often inflexible in times of rapid change and suggests 'arithmetical precision' that is not justified.

2.3.2 Non-analytical JE

There are four relatively common non-analytical or 'whole-job' JE techniques – job ranking, paired comparisons, job classification and internal benchmarking or job matching. Under such schemes, evaluators rank jobs on the basis of their value to the organisation. Jobs are considered in their entirety rather than broken down into their constituent parts. The evaluation tends to be based on a subjective assessment of a job that makes it unsuitable as a defence against equal pay claims.

- Job ranking – using job descriptions or titles, each job is considered as a whole and placed in a 'felt fair' order in a league table, with the job perceived as most important at the top.
- Paired comparisons – rank order is obtained by comparing each job against every other job in turn. Points are awarded based on whether a job's overall relative importance is more, less or equal compared with the other jobs. For example, two points are awarded where a job is considered to be bigger than the comparator, one is awarded where they are deemed equal and no points are given when it is seen as less important or demanding. The total points for each job provide the rank order.
- Job classification – the number of grades and their definitions are established first and representative or benchmark jobs evaluated to validate the distinctions. Non-benchmark jobs are then evaluated against the definitions and slotted into the pre-determined rank order or grades.
- Internal benchmarking or job matching – jobs are assigned a grade based on matching against standard jobs.

Despite being unable to provide an effective defence against equal value claims because they are regarded as too subjective and often preserve the status quo, non-analytical JE techniques do have some advantages over analytical schemes. Job ranking, for example, is considered to be the simplest way of valuing jobs because there is no requirement to break down or analyse the whole job (Acas, 2005). It is also relatively easy to understand and implement, making particularly suitable when only a small number of jobs need evaluating. Watson (2005a) describes job ranking as

'intuitive', quick and low cost. He says paired comparison is a similarly low cost option, but provides greater consistency than job ranking, while Acas (2005), similarly, believes it has the advantage over ranking because it is slightly more systematic.

According to Watson (2005a), job classification is simple and both quick to apply and a low cost technique that also enables evaluators to describe features of the job and skill requirements. Acas (2005) agrees it is easy to understand and allows some consideration of jobs' skill content. One of the key advantages of benchmarking is the ability to compare the market worth of jobs, something that is increasingly important as more and more organisations look to pay people the 'market rate' for the job. Representative jobs can then be compared against the market.

Whole job comparisons at Network Rail

A perceived lack of fairness in the reward system among staff, coupled with other problems with the existing grading structure prompted Network Rail to develop a new method of valuing jobs. Under the name 'role clarity', the purpose of the new scheme is to define what a job is worth and establish internal relativities between roles. It was also designed to remove the bureaucracy associated with the previous points rating JE arrangement. Under the new scheme, 13 job families – clusters of jobs with similar characteristics – were developed, consisting of the same generic accountabilities. So, for example, roles in HR and finance were grouped in the 'support family'. The design team also established the different levels of jobs in each family and the role profile for each generic role – such as role purpose, accountabilities, performance indicators, skills and capabilities. Accountabilities include an input, a throughput and an output, while capabilities were selected using the firm's capability framework. The job families are aligned with an eight-band pay structure. Jobs were slotted into the families by comparing the job descriptions for each specific job with the generic role profiles that set out the requirements of each role at each level. Posts were slotted into the family and level based on whole job comparisons (IDS, 2003).

Pitfalls and problems

Aside from the not being an acceptable defence mechanism in equal value claims, non-analytical JE schemes suffer mainly from having no defined standards to judge relative worth and an inability to accurately measure differences between jobs (Watson, 2005a).

Specifically, Watson (2005a) believes that job classification is too generalised, fails to properly assess borderline cases and may maintain the existing hierarchy. Acas (2005) says there is a temptation under a classification scheme to grade jobs according to how they have been paid historically rather than according to definitions. Armstrong (1999) claims job classification cannot cope with complex jobs, because definitions are often too generalised and inflexible, and it frequently fails to deal with the problem of evaluating and grading jobs from various job families where the demands of the job are widely different.

Effective job ranking is difficult when a large number of jobs are under consideration and it is hard to slot new or re-graded jobs into an existing ranking system (Armstrong, 1999). According to Watson (2005a), job ranking is often arbitrary, as evaluators tend to have inadequate knowledge about every job be assessed. Though paired comparison is viewed as an improvement on job ranking, it is still inappropriate for large organisations. Acas (2005) suggests paired comparison is only viable in organisations with a maximum of 30 jobs, while Watson (2005a) points out that 50 jobs require 1,225 comparisons.

2.4 Selecting a JE scheme

Analytical JE schemes can be designed to meet organisational circumstances ('home grown' or hybrid version of a proprietary scheme) or proprietary schemes can be bought 'off the shelf'. Acas (2005) says that the advantage of proprietary schemes is that they are generally well tried and tested, so will save time. Many also link to mechanisms for checking salary levels. By contrast, well-designed, tailor-made systems will more accurately reflect the organisational culture and range of jobs being evaluated, which may make it more acceptable to the workforce.

According to IDS (2003), the selection process should weigh up cost, convenience, in-house expertise and access to market pay data. The pay analysts say that because the factors and definitions employed by proprietary schemes are standard, there is a level of consistency and the 'results' can be compared with other organisations. Like Acas, IDS also points out that proprietary schemes tend to provide access to benchmarking pay and grading data. Some proprietary schemes are developed for specific sectors, particularly groups of the public sector workforce, and most allow some degree of tailoring, such as the range of factors and definition levels used, and the weightings applied. A bespoke scheme is a relatively expensive option, both in terms of finance and time. It is suitable in circumstances where flexibility is required and is easier to consider where less complexity is present. However, the desire to opt for a bespoke scheme is often greater in organisations with a non-standard workforce because an off the shelf scheme might not appear to have the factors that describe its jobs. It should also be pointed out that proprietary schemes may have been formally vetted in equality terms. An in-house scheme would need to checked to ensure that it does not have any discriminatory aspects.

Of the 79 per cent of organisations reported to be using an analytical scheme by e-reward (2003), just over a third (36.5 per cent) were using a proprietary system; 26.1 per cent were using a hybrid or tailored version of a proprietary product; and 37.4 per cent were using a 'home-grown' system. The most popular proprietary scheme, employed by 80 per cent of organisations using an off-the-shelf JE system in some way, was the Hay's Guide Chart Profile Method.

IDS research in 2000 and 2003 found that a growing number of organisations were seeking schemes that matched their own particular needs and values, so were increasingly focusing on either hybrid or bespoke methodology.

Single status: two councils, two approaches

South Gloucestershire Council (SGC), an amalgamation of Avon County Council and Northavon and Kingswood district councils, decided to use the existing Hay JE scheme to implement single status throughout its 9,500-strong workforce including around 3,000 manual employees (Suff, 2005). By contrast, Kent-based Medway Council opted to use the nationally agreed JE system (NJC scheme) for local government to achieve the same harmonised terms and conditions in its almost 5,500 non-teaching posts (IDS, 2003).

SGC's decision to apply the Hay scheme was a pragmatic one: two of the three predecessor councils had used it. 'Not only did the Hay scheme effectively cover the overwhelming majority of white-collar staff employed by the new authority, we had demonstrable proof that it was effective and we also had a great deal of expertise in its application that we did not want to lose by switching to another scheme,' says head of personnel Alan Boyle. The council had to convince some union representatives that, rather than changing over to the NJC scheme, the Hay system was suitable for manual employees, undertaking a detailed pilot benchmark exercise for manual and occupational posts. A key principle underpinning single status in local government is to ensure equal pay for work of equal value. SGC was committed to delivering this aim, and the authority had undertaken a lot of work to ensure that the Hay scheme was rigorous on this point.

Medway Council – a new unitary authority comprising Rochester Council, Gillingham Borough Council and parts of Kent County Council – was one of the first to apply the NJC scheme. Unlike SGC, Medway's predecessor councils had not consistently applied one JE scheme. While Kent County Council used the Hay scheme, Gillingham had used an outdated local government system. The NJC scheme was eventually selected, mainly because it had been specifically designed to secure single status and, at the time, it was felt that the Hay methodology still required further tailoring to evaluate the jobs of manual workers in local government.

3 Job Evaluation in Today's Workplace

3.1 Overview

JE is often criticised as inflexible, bureaucratic and unresponsive to organisational change. These problems are illustrated by Brown (2001), who reports on an organisation where the existing JE system 'worked against structural and job flexibility, with significant delays due to the number of regarding claims'. He says that some of the standard features of the reward schemes in many large UK organisations, including JE and multiple grade structures, originate with the bureaucratic organisational structure and the 'command and control' management model. Similarly, Suff (1996) states that traditional reward strategies are inflexible and tightly controlled, underpinned by an emphasis on fairness and equity rather than reflecting individual performance through pay differentiation. Yet, escalating competition has forced businesses to respond quickly to change by becoming more flexible and adaptable, and less hierarchical. At the same time, many organisations have found that conventional JE schemes are cracking under the pressure of escalating re-grading requests as roles change and an inability to accommodate either new flexible working arrangements or fluctuations in the labour market for specific skills.

Looser, more flexible structures that link pay to changes in market rates and comparisons have become widespread in the UK as organisations compete for talented individuals and look to recruit people to fill skills shortages. At the same time, Brown (2001) says a key objective of the reward strategy of the future will be delivering a competitive total package, with less emphasis on internal comparisons and relativities. Inflexible, bureaucratic JE schemes would therefore appear incompatible with the needs of today's organisation to respond quickly to change and link pay to contribution and individual performance, as well as external market relativities. Nevertheless, organisations still need an effective pay structure or managers will spend all their time negotiating individual deals. And, as pressure mounts to at last solve the equal pay issue, organisations also need to ensure the reward systems do not discriminate in any way. The goal is to create a system that

balances flexibility and equity. JE is changing to accommodate these changing business priorities.

Research by consultants Towers Perrin (1999) found that moving towards simpler JE schemes, coupled with the introduction of fewer grades and broader pay bands and/or job-family-based pay was producing the flexibility required by organisations to respond speedily to change. According to Brown (2001), JE systems are becoming more flexible, business-aligned and market-driven. He claims common changes to JE schemes include:

- abandoning fixed pounds-for-points linkages in favour of placement into fewer bands and market-aligned ranges
- moving to simpler job classification approaches, which are the fastest growing variant now used by almost a third of companies
- removing traditional job input factors, such as qualifications and emphasising measures of job accountability and impact.

To reduce the time spent evaluating jobs and to produce more consistent results, many organisations now employ a computer-assisted JE process and directly involve staff in providing details of their jobs.

Participants in the e-reward (2003) survey made the following recommendations for how future JE schemes should look:

- keep it simple
- use broader pay bands
- align JE scheme with a competency framework
- use a single JE scheme
- take particular care over factor definitions
- operate flexibly
- computerise JE.

3.2 Shifting expectations

3.2.1 From 'guard dog' to 'guide dog'

'As to whether JE is making a comeback, surveys say yes; experience says yes; observation says yes. Did JE ever go away? It went out of favour and hid for a while. Its value is appreciated but recognised as potentially dangerous. It has changed from guard dog to guide dog.' (Watson, 2005b)

According to Watson (2005b), JE was originally geared towards providing employers with security in the form of a:

- foundation for equitable and defensible pay structures
- logical framework to make pay decisions
- formal process that produces a better 'felt-fair' outcome than informal arrangements
- response to any legislative requirements, such as equal pay for equal work.

This, he describes as the 'guard dog' role, which, in the late 1980s, was rapidly 'muzzled and kennelled' because of JE's exclusive focus on jobs rather than on people. Watson claims that though the need for assessment remained, JE was replaced by more flexible and people-orientated methods, such as market pricing, broad banding, job families, whole contribution and competency-based pay. Instead of using JE, a number of organisations, particularly in the US, relied on matching jobs from one organisation to another, for example. In the UK, broad banding and job families have to an extent emerged. Job families rely on fewer descriptions of jobs or roles – there is more of a generic description. Broad banding systems require fewer critical JE decisions, as there are fewer boundaries to manage. In these circumstances JE schemes are easier to implement and administer compared to operating with traditional pay structures. 'Job families try to replace the administrative effort that is often required in more conventional JE – fewer individual jobs, fewer evaluations, less discontent, less administration', concludes Watson. By supporting such flexible pay structures, JE is moving into a new phase, acting, according to Watson, more as a 'guide dog' than 'guard dog'. Brown (2001) concurs, believing that JE is playing a more supportive but still important role in many organisations.

There is some evidence to support Watson's view. Research by Towers Perrin (1999) found that half of firms had reduced the number of grades in the three years prior to the study. Brown (2001) reports the comment of one participant in a company that had reduced its number of pay grades: 'We wanted the emphasis to be on personal development and contribution, rather than on points-scoring to get promotion'. Nonetheless, Towers Perrin found that despite the shift to broader pay bands, the vast majority of organisations (75 per cent) continued to evaluate jobs. Indeed, even when its popularity was apparently going through a fallow period, Duncan (1992) was of the opinion that JE is by no means incompatible with flatter organisational structures and fewer pay bands: 'the evaluation process may provide an agreed hierarchy of jobs from which a grading structure can be built, but need not determine the actual structure'. IDS (2003) found 'some consensus' that JE is actually playing a key role in a move towards flatter structures and is 'typically reflected' in broad banded pay structures. Broad banding arrangements underpinned by a JE exercise can be an efficient way of reflecting ranking outcomes without creating an overly bureaucratic or complex hierarchy of jobs, says IDS. In a practical example of JE being applied as a

support tool, Warner (2005) reports on the case of lifestyle clothing designer and retailer Fat Face, which has used JE to help develop job profiles as part of its shift to competencies.

3.2.2 External and internal pay relativities

> *'The increasing impact of the external market has not removed the requirement in many settings to maintain a flexible but robust foundation for equitable pay management across the organisation.' (Brown, 2001)*

Originally, JE was used to establish internal pay relativities, so jobs deemed more important attracted a suitably higher rate of pay and grading than those considered less important. Over the past couple of decades there has been greater focus on market rates of pay, with employers keen to ensure salaries are competitive in the external labour market in order to attract talented employees and fill hard-to-fill vacancies with suitably qualified staff.

The pan-European research by Towers Perrin (1999) found that external market alignment had become one of the top three reward objectives – 97 per cent of organisations said it was an essential component of their reward strategies. By contrast, the goal of internal relativity had slipped down the reward agenda in most organisations. Despite the uptake of market rates and comparisons, there is little evidence firms are discarding JE though. E-reward (2003) found that only five per cent of organisations had abandoned their JE systems. One reason why some form of JE is being retained is the realisation that market competitiveness and internal equity are not mutually exclusive. As Brown (2001) points out, the logic of operating a totally market-driven pay system in place of JE points is paying 'virtually everyone 100 per cent of their market rate, with no account taken of their personal performance,' or, one might add, of perceived internal relativities. As result, 'hybrid' JE systems are emerging that enable organisations to achieve both external competitiveness and, what Brown describes as, 'internal fit'. He claims that in some organisations job family definitions are being used both as the basis for internal pay structures and external pay benchmarking, while other employers have altered points weighting for job factors to correlate with market data.

For example, IDS (2003) reports that the introduction of new bespoke JE scheme covering staff in Prudential UK & Europe. It essentially uses a JE questionnaire linked to the company's capability framework. It involves the evaluation of factors using market pay data. According to IDS, the insurance company has 'weighted the JE questionnaire in favour of those sub-factors [which measure the core outputs of the role] most closely related to the market pay data'.

3.2.3 'How' the job is done

> *'Competence-based JE aims to value the work employees do in terms of the competencies required to perform effectively in different roles and at different levels of competence.' (Marchington and Wilkinson, 1996)*

Conventional JE schemes evaluate jobs not the job holder, but as reward strategies have shifted to focus on individual performance (such as merit pay systems), so the demand has grown for the need to evaluate employees as well as. Marchington and Wilkinson (1996) report evidence of managers wanting to evaluate employees, not just jobs. Some organisations apply a competency-based assessment that focuses more on the human attributes rather content of jobs (Watson, 2005b). Armstrong (1999) acknowledges that competency-based evaluation concentrates on people in their roles, not jobs. This is alongside or instead of competency based pay progression, where competency development is used judge the speed of movement through a pay range.

Competencies are often referred to as 'how' work is performed. They are the personal characteristics that make an individual effective in a role, including generic behavioural attributes, such as whether an individual is a skilful decision maker, reliable team member or exhibits a capacity for creative and innovative thought as well as specific job-related skills like knowledge, customer awareness and quality of output (Suff, 2001). Some organisations also operate a set of core or generic competencies that apply to all roles, and which are supplemented by specific job-related competencies. Adams (1999) says that pay grading structure design is one of the four main ways of linking competencies to reward, with its annual survey in 1999 finding that 76 per cent of companies used competencies for such purposes, though most of these applied them in conjunction with other methods, such as an assessment of job complexity or size and/or level of responsibility.

Marchington and Wilkinson (1996) say that competence-based factors are being added to, or are replacing, existing factor schemes, while Watson (2005b) reports that competency factors tend to resemble the 'job factors' generally used by conventional JE schemes. Armstrong (1999) provides the following example from travel business Thomas Cook to illustrate the common mix of behavioural and technical competency factors used in competency-based evaluation:

- knowledge and skills
- human relations skills – such as influencing others, leadership selling and negotiating and contact with others
- thinking and reasoning
- numerical, logic and information technology skills
- personal qualities – such as responsibility, flexibility and freedom to act
- physical skills.

Armstrong (1999) also says that competence-based evaluation is common in broad banded and job family structures, with pay bands designated with reference to generic roles and progression within bands based on individual competence and contribution. Competencies are being used by some organisations to classify roles based on definitions of core or generic competencies, thereby determining movement between bands.

3.2.4 From jobs to roles

> *'Role profiles emphasise the similarities between jobs, while job descriptions focus on the differences. By focusing on the differences, you promote inflexibility and demarcation,' Philippa Harrison, head of group-people and performance, Britannia Building Society (Dennis, 2005)*

Traditionally, JE has been supported by job descriptions written to reflect the factor definitions. Its efficacy relies on robust information, which is converted into JE outcomes – that is, a decision on what level definition best fits the job for each factor (Armstrong *et al*, 2003). Over time, however, job descriptions tend become encumbered with numerous tasks that limit flexibility. This had occurred at Derbyshire Constabulary, for example, with many job descriptions simply evolving into a long list of tasks of up to 30 or 40 items (IDS, 2003). Rather than job descriptions forming the basis of JE, many organisations, particularly those with job family and/or broad banded pay structures, are switching to job or role profiles, which Watson (2005b) defines as an extended job or set of jobs that have similar characteristics. Armstrong *et al* (2003) suggest that role profiles are becoming more common as JE changes: 'some organisations take the opportunity presented by a JE exercise to redefine the way that work is described, switching away from a detailed job description to a role profile that focuses on the required skills, behaviours and outcomes or deliverables of the role, rather than on the detailed tasks to be performed'.

The main aims of assigning staff to roles rather than specific jobs is to provide individuals with a transparent career path – it shows what skills are required in different roles and what additional skills they require to progress – and the organisation with greater flexibility, allowing it to switch staff to roles with similar characteristics. Role profiles also offer other advantages over job descriptions. Armstrong *et al* (2003) point out that unlike job descriptions role profiles do not need amending every time the duties of a role change and, because they do not focus exclusively on tasks, role profiles do not require the same level of detail. In addition, the ability to generate generic role profiles covering a several roles, means that the number of profiles required will be significantly less than the number of job descriptions needed. Armstrong *et al* give the example of a vehicle leasing firm that replaced 180 job descriptions with 50 role profiles. Role profiles also limit the opportunity of employees to adopt narrow conceptions of what they are expected to do. Some employees have in the past used job descriptions to restrict the tasks they

will perform, on the basis that if it is not in the job description, it is not one of their tasks.

The NHS is one organisation that has taken the opportunity presented by its new JE scheme and pay structure to embrace role profiles. As well as, ensuring equal pay for work of equal value, another of the fundamental aims of *Agenda for Change* is to increase job flexibility (Department of Health, 2004). As a result, and in agreement with union representatives, the NHS has developed more than 200 generic job profiles, which apply to a range of posts that are broadly similar, such as in finance and healthcare science. According to the main healthcare union Unison (2004): 'These profiles are not detailed job descriptions, but are written specifically to explain how the functions of the job relate to each of the 16 [JE] factors.'

In an effort to develop more flexibility in the way it manages its customers and as part of a shift to a broad banded pay system, Britannia Building Society used the Hay JE scheme to draw up profiles for more than 600 different jobs (Warner, 2004). This led to the identification of the attitudes, behaviours and skills associated with the new pay bands for people at different levels in the organisation. Instead of several hundred job descriptions, there are now 36 broad job profiles, which enable individuals to determine their job within the role profiles and where it sits within a level.

3.2.5 Cutting out the bureaucracy

> *'Computer-assisted JE eliminates the need for time-consuming panel meetings, and is therefore likely to become more widespread in large applications.' (Marchington and Wilkinson, 1996)*

Conventional JE is notoriously laborious, so many organisations are turning to computer software to speed up JE scoring and analysis, for example. The results of the e-reward (2003) survey found that:

- nearly 90 per cent of respondents say they use computers to calculate JE scores
- just over 50 per cent use a computer to sort and analyse JE scores
- around 50 per cent use computers to analyse completed paper questionnaires
- almost 25 per cent use a computer for the 'interactive collection of job information'.

Most of the organisations featured by IDS (2003) also use computerised JE, including food retailer Sainsbury's and Derbyshire Constabulary. Though the validity of computer data will depend on the information fed into the system, organisations report that computerisation often provides better consistency and objectivity and improves transparency and comparability in addition to speeding up the process (IDS, 2003). Armstrong *et al* (2003) believe that the greatest benefit of a reputable computer-based JE process is consistency: the same input information will always give the same output result. Watson (2005b) reports that the computerisation of JE

provides administrative support and helps the decision-making process, so improves the speed, efficiency and the recording of 'evidence'.

In a further initiative to speed up the JE process, organisations are increasingly replacing jobholder interviews, with jobholder and/or manager self-completed questionnaires used to gather data. Employee involvement in completing a questionnaire has the added advantage of making the scheme more transparent. Though, from an equal value perspective, self-completed questionnaires can pose problems – as research suggests that men are more likely to 'talk up' their roles than women – a trained analyst can validate results. At Derbyshire Constabulary, for example, staff completed a jobholder questionnaire having been given instructions by a job analyst, who then checked it and filled in any gaps by interviewing the jobholder (IDS, 2003).

3.3 Pay flexibility and equal pay protection

Today, JE needs to accommodate employers' needs for pay flexibility, while retaining its ability to offer protection against equal value claims. Watson (2005b) warns that the typical evaluation process assigned to the development and support of job families, for example, cannot, by itself, be regarded as analytical and, therefore, a potential defence against equal value claims. Nonetheless, many organisations, aided by computerisation, are developing flexible pay structures with the aid of JE.

Sainsbury's

Sainsbury's has implemented a new broad band pay and grading structure for its retail store staff that streamlines 125 different job descriptions into 28 generic roles (IDS, 2003). The generic role profiles set out the competencies required to perform particular jobs, while the JE factors consist of five core factors which could be applied to every role. They involve:

- customer focus – selling skills, level and frequency of contact with internal and external customers
- accountability – level and impact of decision-making
- knowledge – experience, training
- complexity – variety and creativity
- environment – working conditions, physical effort.

The factors are weighted in favour of customer focus. A role profile questionnaire was completed by a representative sample of 400 jobholders, moving the company away, says IDS, from the 'time and resource-hungry process of carrying out JEs by committee'.

To ensure the new structure was non-discriminatory, an external audit of the JE process was carried out to examine the evaluation process and each factor was examined to make sure there was no undue bias.

NHS JE scheme

The NHS JE scheme has a number equality features built into its design (Department of Health, 2004). These include:

- a sufficiently large number of factors to ensure that all significant job features can be fairly measured
- inclusion of specific factors to ensure that features of predominantly female jobs are fairly measured, for example: communication and relationship skills, physical skills, responsibilities for patients/clients and emotional effort
- avoidance of references in the factor level definitions to features that might operate in an indirectly discriminatory manner, for example: direct references to qualifications under the knowledge factor, references to tested skills under the physical skills factor
- scoring and weighting designed in accordance with a set of gender neutral principles, rather than with the aim of achieving a particular outcome, for example: all responsibility factors are equally weighted to avoid one form of responsibility been viewed as more important than others.

In addition, implementation procedures have a number of equality features, including:

- a detailed matching procedure to ensure that all jobs have been compared to the national benchmark profiles on an analytical basis, in accordance with the Court of Appeal decision in the case of Bromley v Quick
- training in equality issues and the avoidance of bias for all matching panel members, job analysts and evaluators
- a detailed job analysis questionnaire to ensure that all relevant information is available for local evaluations.

4 Conclusions

Organisations will always require a way of making decisions on rates of pay that reflects the value of jobs and is perceived by employees as fair. JE was the traditional way of achieving such objectives, but such arrangements fell into disrepute in some quarters because they were deemed to be inappropriate in today's flatter, less hierarchical and more volatile organisational structures, and because of changes in reward management, especially towards greater emphasis on external market considerations. JE is finding favour again, but has had to change to accommodate current business priorities. JE remains a vital defence against equal value claims – analytical JE schemes tend to provide a higher degree of rigour and objectivity so minimise the potential for gender bias. With pressure from government rising, particularly in the public sector, for equal pay between genders, JE is increasingly attractive as method to determine fair pay structures. But employers are demanding JE schemes that, as well as reducing unfair and unjustified gender-based pay differentials, also support moves to more flexible pay structures and promote external relativities rather than just internal equity. The goal, therefore, is create a JE system that balances flexibility and fairness.

In terms of equality, JE schemes are being remodelled to remove any potential bias. Job factors now routinely include dimensions that can be used to analyse different types of jobs, rather than focus on elements that favour one sex over another. The NHS JE scheme, for example, includes a 'knowledge, training and experience' factor that puts equal value on broader knowledge and skills alongside paper qualifications, which in the past had been the primary focus and had tended to favour men. In terms of promoting flexibility, simpler JE schemes are being used to support the introduction of more flexible reward structures, such as broad banded pay and job-family-based pay. JE schemes are also emerging that help organisations achieve both external pay competitiveness and 'felt-fair' internal differentials. In addition, JE now no longer focuses exclusively on the job at the expense of the jobholder. Competency-based JE, which includes an assessment of generic behavioural attributes of roles, concentrates on people in their roles, not jobs. At the same time, detailed job descriptions, focusing exclusively on the tasks to be performed in a job – traditionally

the mainstay of JE schemes – are being replaced by simpler, more flexible generic role profiles that define the skills, behaviours and outcomes demanded by a range of roles. The bureaucracy typically associated with conventional JE is also being minimised through increased use of computerised JE solutions, while direct employee input into the process in increasing the transparency of the process.

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