



# Practicalities and Pitfalls: Job Evaluation Inside Out

**JE, no matter how scientific of its design, requires human judgement.** *By Vincent Fung, Daisy Leung*

**J**ob evaluation (“JE”) is a systematic process for deciding the relative value or size of jobs, including from organization within and alignment with the market. Similar to any asset valuation, JE takes the comparative method to weigh positions by a consistent methodology to figure out the relativity among them objectively.

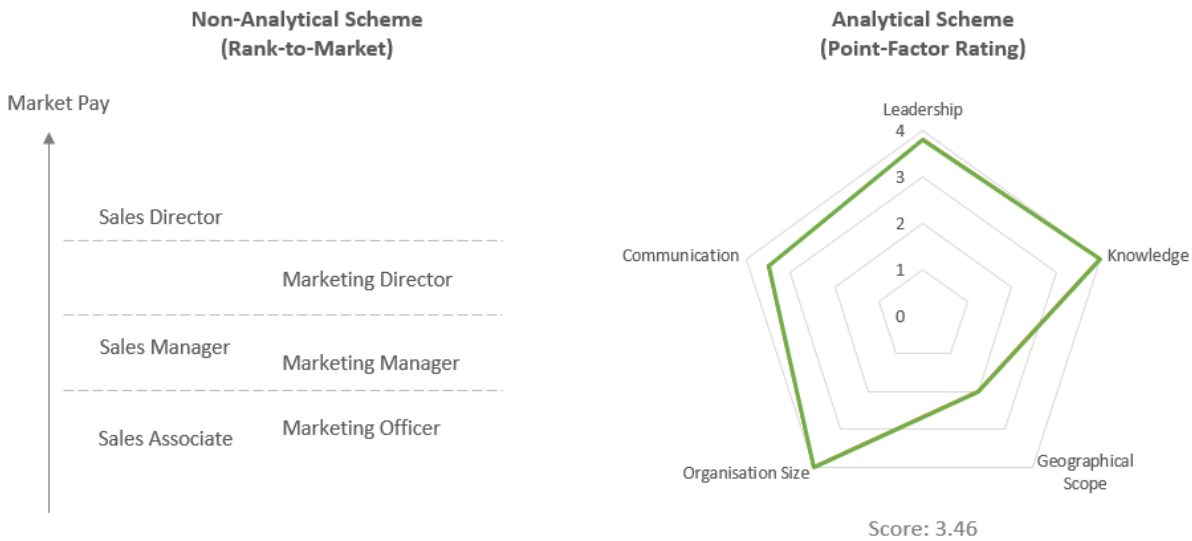
The result of JE has a wide range of applications in quantitative HR, particularly in the compensation and benefits field (“C&B”), for example, job pricing, job grading, salary structuring, benefits allocation and so on. There-

fore, JE could be considered as the master of the C&B profession.

There are ways of doing JE and the two main camps are non-analytical and analytical schemes. The latter is sophisticated and widely adopted not just because of its scientific nature, but also it enables accurate job comparison inside own organization as well as connecting to the outside world with those using a similar approach.

Taking rank-to-market as an example to illustrate non-analytical JE scheme, it ranks job based on market prices to

**Figure 1: Illustrations for Types of Job Evaluation**



determine the relative hierarchy within the organisation. This method is fast but tends to be rough. Although it has a strong linkage with the external market by replicating it, it does not consider the internal relativity in sizing the positions. In contrast, point-factor rating is a more objective measure in evaluating a position. Each job is being assessed by comprehensive predefined dimensions to determine the respective point range. It can provide a consistent and reliable yardstick for both internal and external review exercise (see Figure 1).

Due to its popularity, this article focuses on offering a deep-dive into job evaluation with the analytical scheme, the point-factor rating.

**Universality of Job Evaluation**

It is not uncommon for a confusion between value and price. There may be no better explanation than by Warren Buffett – Price is what you pay. Value is what you get. To put it in HR perspective, companies

offer salary, bonus, benefits of all kinds (i.e. price) in exchange for the skills and services from employee in certain position (i.e. value). Market price is the collective outcome of transactions controlled by the invisible hand, supply and demand. While market is a voting but not weighing machine, prices can always largely deviate from the value of the job. The terms “overpriced” and “underpriced” are hence used for describing the situation.

Before pricing jobs, we need to figure out the value first. For a trader to evaluate diamonds, by and large, they can tell the class of it without any laborious assessment. This is the perceived value by a particular person however it can be quite different from one another due to individual perception and biases. In the early 1940s, the Gemological Institute of America (“GIA”) standard was introduced by Robert M. Shipley which evaluates every precious stone by the 4Cs, namely clarity, colour, cut and carat. It had then professionalized the jewellery industry and greatly fostered diamond trading.


**Table 1: Comparison of Job Evaluation Systems**

	Universal Position Evaluation (UPE)	International Position Evaluation (IPE)	Global Grading System (GGS)	Job Evaluation Manager (JEM)
<b>Owner</b>	Comptify	Mercer	Towers Watson	Hay
<b>Input</b>				
<b>Management Span</b>	Management Nature	Team	Leadership	
<b>Knowledge &amp; Skills</b>	Expertise Level	Knowledge	Functional Knowledge Business Expertise	Practical/Technical Knowledge Planning, Organising and Integrating Knowledge
<b>Role Coverage</b>	Geographical Scope	Breadth		Scope
<b>Problem Solving</b>	Judgement Creativity	Complexity Innovation	Problem Solving	Thinking Environment Thinking Challenge
<b>People Interaction</b>	Interaction Exposure	Communication Frame	Interpersonal Skills	Communicating and Influencing Skills
<b>Organization Impact</b>	Business Impact	Contribution Impact	Area of Impact Nature of Impact	Freedom to Act Impact
<b>Output</b>				
<b>Job Size</b>	CA Level	Mercer PC	Global Grade	Hay Level

Note: Comparison was done based on online research and for reference only.

Similarly, the methodology of the point-factor rating is to evaluate a position by considering observable aspects in a structured manner. The JE methodology and criteria can be designed solely based on individual organization needs, but it would be less externally compatible. One advantageous way is to adopt a market-based system, usually made available by third-party consultants. It could also offer consistent job valuation through independent consultant's lens across organizations, which enables grading of jobs internally and linking them with external market pay data.

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Price is what you pay. Value is what you get. We need to determine the value first

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Although each organization or professional firm may evaluate jobs by taking different criteria into account, there are commonalities to view a job objectively (see Table 1). We found that most criteria can be classified into five key aspects, namely:

#### **Management Span**

Evaluates the management responsibilities of the job; estimates the leadership requirement, whether it is required to oversee a team, function or an organisation

#### **Knowledge & Skills**

Measures the degree of expertise and knowledge level requirement, collectively known as capabilities of the position; it reflects the sophistication of the skills specified

**Role Coverage**

Determines the scope of the position, covering geographical breath, financials, people, asset, etc. the position is making an impact on

**Problem Solving**

Assesses the level of complexity of the recurring challenges encountered by the position and the problem-solving and decision-making skills required for the position

**People Interaction**

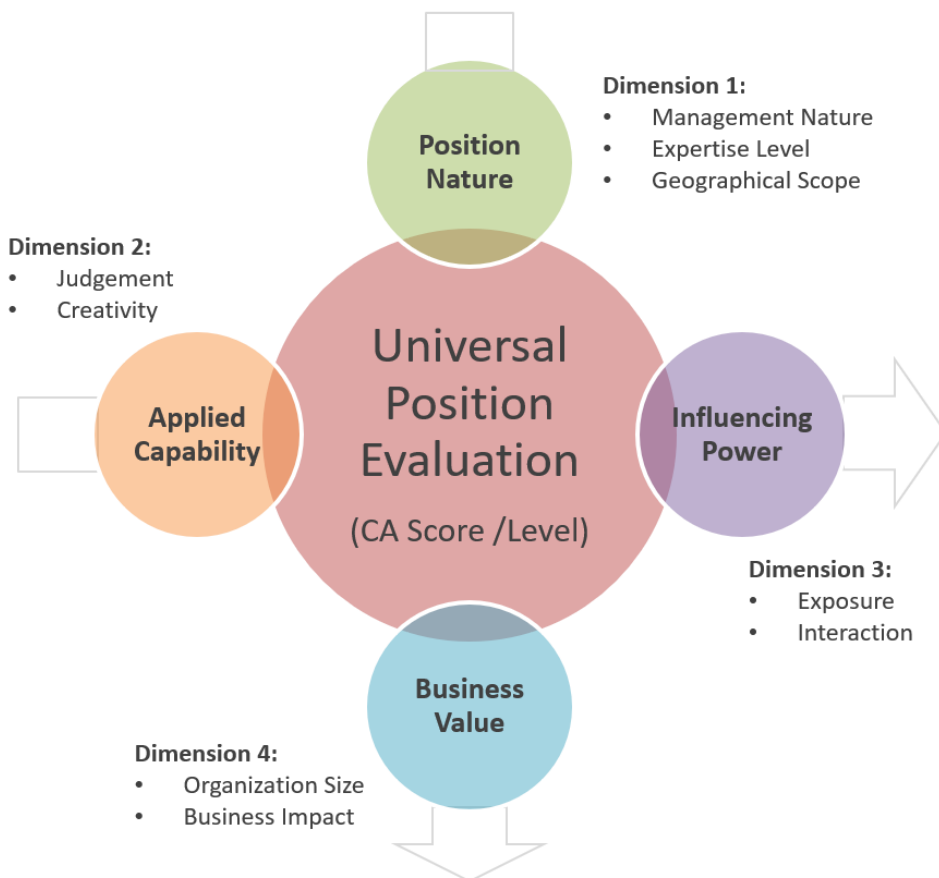
Estimates the extent of regular communication with internal and external parties through various verbal and non-verbal channels expected from the position

**Organization Impact**

Judges the scale of contribution and impact by the position; the size of the organisation shall be taken into consideration

Positions, together with organizations, keep changing along with time. Let's say in the age of mass production, a manager was almost definitely referred to people manager and was assumed to discipline a troop of workers to get work done. Nowadays, the same position may be tasked to oversee a subject matter without supervising anybody but creating higher value than a people manager. It is especially so in the age of disruption because applying advanced technology, e.g. ro-

**Figure 2: Overview of Universal Job Evaluation by Comptify**





bots, can potentially do a lot more than managing just people. JE systems are expected to be reinvented from time to time to adapt to the evolving needs of evaluating jobs. However, some traditional market-based systems put its weight on manager's team size which may not be a good-fit for lean and agile organizations in our time.

The Universal Position Evaluation ("UPE") by Comptify is a progressive approach for JE. The UPE breaks down a position and evaluates it in nine criteria, namely management nature, expertise level, geographical scope, judgement, creativity, exposure, interaction, organization size and business impact (see Figure 2). These nine criteria span across all the shared aspects used in other evaluation systems which enable the UPE to perform accurate JE for the job value and denote in its own job size, CA Level, as well as other market job sizes.

The translation of job sizes is theoretically as easy as weight conversion to and from kilograms and pounds. Unfortunately, the job size scales are not uniform across consultants, so it does not have a one-to-one mapping for every of them. To demonstrate, we estimated that the "exchange rate" for one CA Level to Mercer PC, Towers Watson Global Grade and Hay Level are roughly 1:1, 1:1.6, 1:1.4 respectively. It is easy and direct to convert from narrower to wider job sizes. Nonetheless, judgement may need to apply when it comes to the reverse case.

Furthermore, in most JE systems, it consists of determining criteria which

contribute a major share of job value and supporting criteria to fine-tune its accuracy to approach the reality. Using UPE as an example, the vertical axis, i.e. the position nature and business value, constitutes around 70% of the weight while the horizontal one only contributes 30%. It means that the job design and organization served have already determined mostly the job evaluation result. So, the UPE is capable of offering a pre-load set of evaluation scores for standard jobs as a starting point for further adjustments to speed up JE process and improve accuracy.

### Evaluation in Action

JE, no matter how scientific of its design, requires human judgement. For point-factor rating, an evaluator would observe the position and select the appropriate degrees based on the criteria in the JE system. Each criterion shall be clearly and simply defined so that for any reasonable person with fundamental training should be able to grasp and perform JE with satisfactory accuracy. In other words, the JE result for a specific position done by competent valuers, be it corporate HR or consultants, shall converge by referring to the same set of definitions of evaluation criteria. This is the gist of a good JE system.

Besides that, an impartial mind is as important as, if not more, the technical capabilities in mastering JE system. In any case, the subject of evaluation shall be the position but not the jobholder since it will provide robust result not prone to personnel movement. The

incumbent differences shall be catered by other C&B measures, e.g. benchmark percentiles (see Figure 3). Unfortunately, evaluation bias is frequently caused by favouritism – Human valuator being influenced by personal assessment, or even liking, of the jobholder and it can produce much error in the evaluation outcome.

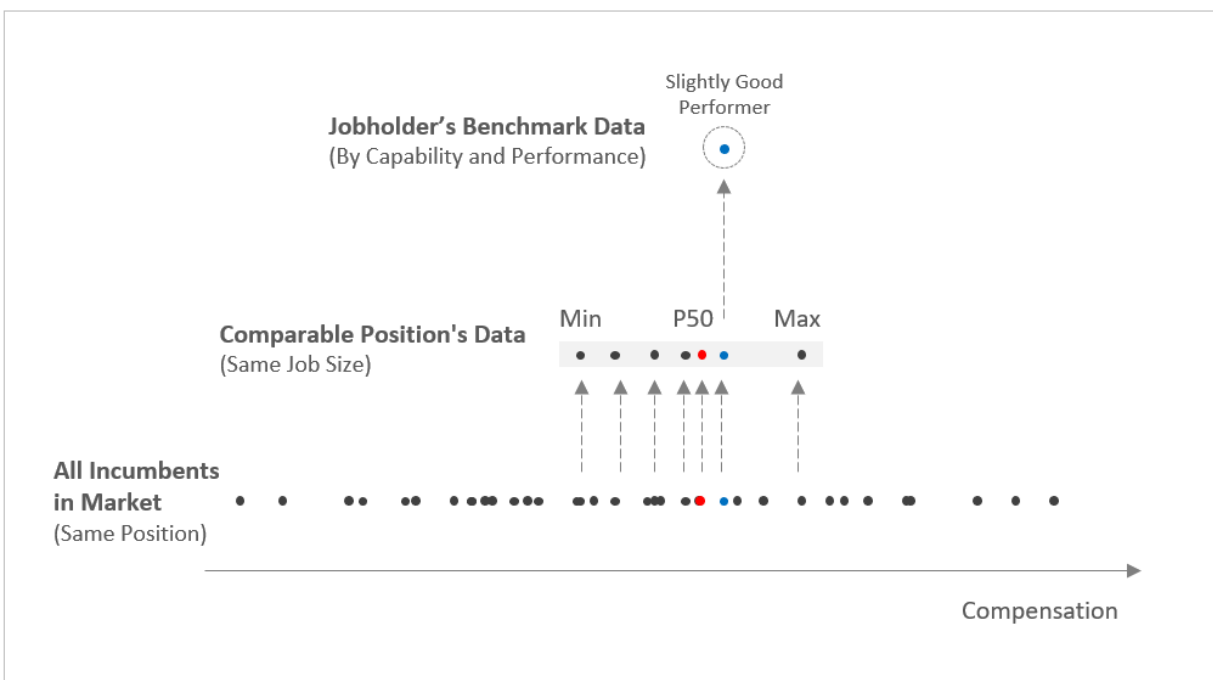
**A rigorous JE demands sufficient information regarding the position**

Apart from position-person distortion, another pitfall is whether JE shall consider the efforts of the position. For instance, a position who needs to work on much paperwork as compared to one who can complete similar tasks quickly with an efficient ERP system, which one should command bigger job

size? All things being equal, they are creating same value therefore the job sizes shall be the same. The extra efforts for the former could be compensated as a form of the hardship of doing everything manually if most cohorts in the market are aided by the computer software.

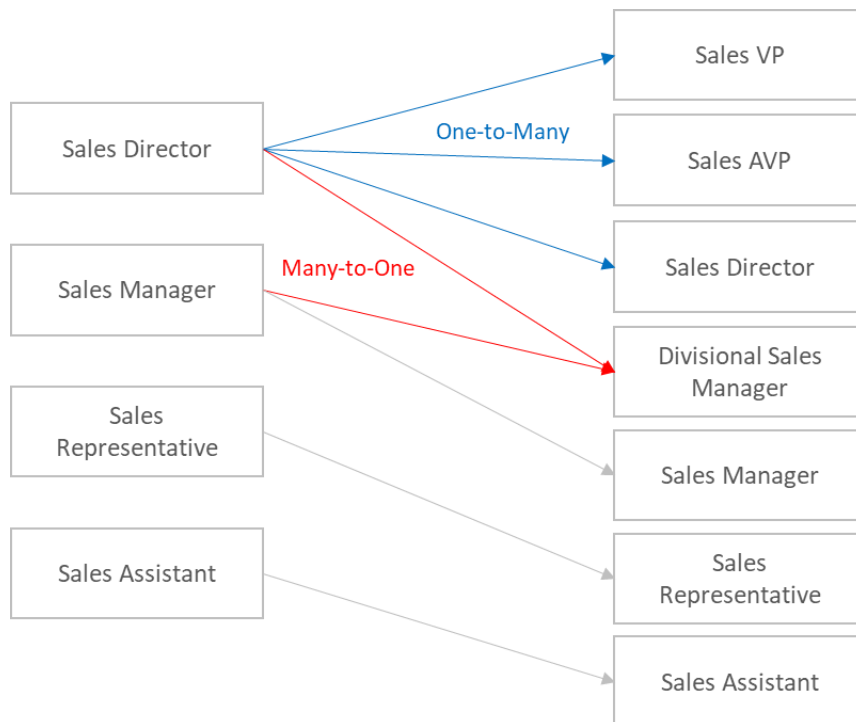
A rigorous JE also demands sufficient information regarding the position (but not complete due to the mounting cost of collecting extra beyond available and that might be unnecessary). A holistic picture can be composed by pulling views together from an evaluation committee with balanced opinions on the position. Moreover, internal and external calibration, by consultants, would definitely help on ensuring job size relativity within organization and among market comparators respectively.

**Figure 3: Locating Benchmark Data for Jobholder**





**Figure 4: Illustration of issues for bare job pricing**



### Job Pricing without Rating?

“Performance without rating” in performance management is a catchphrase which advocates the removal of traditional annual appraisal and focuses on frequent feedback. In compensation management, there is a school of thought in bare job pricing without the value indicator, job size, and only goes by selecting peer companies. It can be called “job pricing without rating”. How-

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Pricing jobs could not tolerate substantial inaccuracies since it will impact on cost

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ever, it is far from perfect due to its roughness to price jobs.

Bare job pricing is built on the basis that positions across similar-sized companies with similar nature of business (no two businesses are the same though) are similar and therefore comparable in the value creation as well as price. A counterexample can be easily identified – For instance, although the revenue sizes of two companies in the industry fall under the same bracket, the middle manager in a 4-level hierarchy organization, i.e. broad-banding, is expectedly different from the one in a 7-level organization, i.e. traditional job grading (see Figure 4).

Combining the two positions may or may not offer a ballpark for the market price of a position. Unfortunately, pricing jobs, just like any other money matters, could not tolerate substantial inaccuracies since it will greatly impact on the recurring cost, hence profit, of



the company and take-home pay of the incumbent. Bare job pricing is deemed to be oversimplified and proven imprecise for pay benchmarking while traditional job size-market price method could obviously serve the purpose better, be it more cumbersome. As the idiom says, “don’t throw the baby out with the bathwater” – It is worth the efforts to go in a professional way.

Lastly, to ensure good job pricing, a reliable survey data is as instrumental as the method. While most well-established companies in the market would have used one or more job sizes now or in the past, the accuracy of job sizes is always in doubt. Apparently, reliable survey data is an orchestrated result of responsible participants to come up with and capable survey vendors to gatekeep on the tricky job sizes. ■

## About the Authors



Mr. Vincent Fung is a Managing Consultant who heads up consulting business for multiple industries in Asia Pacific for Comptify Analytics (“Comptify”). Prior to that, Vincent worked in and was the Consulting Lead for Mercer-HRBS, a company acquired by Mercer in 2015, for more than 12 years. With background of information engineer, he has taken charge of initiatives for HR technology application and innovation throughout his career. He has undertaken strategic consulting/training and industry-focused roles in the region.

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