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JOB EVALUATION: A CRITIQUE

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ABSTRACT

The organizational consequences of traditional point factor approaches
to job evaluation are reviewed. It is pointed out that these approaches
support traditional bureaucratic management and produce a number of
dysfunctional consequences. Resistance to change, rigid hierarchies,
inflexible career tracks, and empire building are among the negative
consequences. Alternatives to point factor approaches are reviewed.

JOB EVALUATION: A CRITIQUE

BY

EDWARD E. LAWLER III

The pay systems of most large organizations rest upon the foundations of a job evaluation system. Frequently this job evaluation system takes a point factor approach to evaluating jobs. The arguments in favor of this approach are many and have a long history behind them. Indeed the research and writing on point factor job evaluation goes back at least a half century. The Hay system is probably the best known point factor approach to job evaluation, but there are many others. Virtually every major compensation consulting firm has its own point factor approach as do many corporations. A good guess is that over 95% of the major U.S. Corporation use the point factor approach to evaluate their jobs.

It is usually argued that the point factor approach brings equity and objectivity to a terribly difficult process--deciding how much to pay individuals in a large complex organization. But along with its advantages this approach produces a number of unintended and unanticipated negative consequences that will be enumerated in this article. In a sense this is a "biased" article since it focuses on the down side of the point factor approach. I have chosen to take this orientation because all too often in my experience organizations adopt the point factor approach without realizing what all its effects are.

For those are not familiar with the point approach a brief description of it is in order. It typically starts with a carefully written job description which is the basis for the "Job Evaluation." Factors are then identified and given a relative weight. Typical plans

include four factors which differ substantially in their weight, that is some carry the potential for earning more points than others. Commonly used factors include working conditions, problem solving ability, knowledge required, and accountability. Jobs are next assessed as to how much of each factor they contain. Points are then assigned for each factor and a total point score is produced for each job. The point score is then translated into a salary level. In the most complete job evaluation systems every job in the company ends up with a score. Point totals can then be compared to the market to aid in pricing.

MANAGEMENT STYLE

Many of the specific criticisms of job evaluation rest on the argument that it is more than a way to pay employees; it is in many ways an approach to management. It makes a number of assumptions about the way an organization is managed and fits a particular style of management. It is for this precise reason that it has significant limitations and that it may be an obsolescent practice. The fit between the point factor approach and management style is often not obvious to organizations, however, when they first look at the idea of doing job evaluation. Often they tend to see an objective "fair" way to pay people. But job evaluation is more than this; it is an approach to thinking about work and peoples' relationship to their organization. Indeed, it was originally developed to be supportive of traditional bureaucratic management.

The first indication of the bureacratic orientation of job evaluation is the starting point for it: the job description. Basic to the traditional principles of bureaucratic management is the idea that an individual has a carefully prescribed and described activities to

perform and that the individual can be held accountable for those activities. Working from a tight job description facilitates performance appraisal and also an evaluation of the worth of the individual to the organization. It emphasizes control and individuals doing what the organization tells them they should. In this sense it is highly congruent with a top down control oriented bureaucratic approach to management. Indeed, this is just the kind of management which was seen as the best style for most organizations when job evaluation was originally developed in the early 1900s.

At this point it virtually goes without saying that our concepts of what makes for an effective management style are undergoing a rapid and dramatic change. The old management concepts have been found wanting in a number of respects. Essentially, they do not seem to fit the way organizations need to be managed if they are going to survive in the world economy of the 1980s and 1990s. Briefly stated, the old management is too bureaucratic, too rigid and doesn't use people effectively enough to be competitive. Instead, the argument goes what is needed is a management approach that focuses on people doing what is right, developing and using new skills, focusing on customer/client relationships and generally being involved in the business of which they are a part.

At this point it is premature to specify all the practices that are consistent with this new approach to management; however, it is not too early to say that point factor job evaluation with its emphasis on such things as doing the job as described rather than the right thing and people as being worth what they are doing, not what they can do is not consistent with the newer approaches to management. As noted earlier

this is hardly surprising since it was developed in a time period during which traditional bureaucratic management was at its zenith. With the general point in mind that point factor job evaluation is consistent with traditional management practice, let us turn to some specific problems this causes given today's economic environment and thinking about management.

WHAT NOT TO DO

Inherent in any job description and any point factor evaluation system is a message to an individual about what is not included in their job responsibilities. Again, this fits well with the traditional management idea of holding people accountable for certain specified duties. It does not fit well, however, with an orientation which says an individual should jump in and do what is right in the situation. Admittedly it is only one small part of the problem with the point factor approach, but it is part of the problem. Sometimes it is carried to its extreme in situations where employees refuse to do things because they are "not in their job description."

The productivity costs of this non-performance are well documented and the difficulty of changing job descriptions are many. What often happens when organizations want to more effectively utilize their people for productivity improvement is that the individual demands a pay increase. They demand a pay increase because they have bought the value system which says that you are worth what you do; therefore, if you are asked to do more things by an organization you obviously should have your job reevaluated and upgraded.

REINFORCE HIERARCHY

Traditional bureaucratic management depends on a steep, well-reinforced hierarchy for its effectiveness. Job evaluation fits this quite well since it measures difference in jobs in terms of their hierarchical relationships. Large numbers of points are typically assigned to factors concerned with level of responsibility and number of reporting relationships. As a result job evaluation scores clearly say to everyone in the organization who has the most responsible job, the next most responsible, and so on. It even appears to have the capability of differentiating among people who are at the same "management level" and bear the same titles. This has some obvious advantages when jobs are being priced internally, but it also may have some severe negative consequences.

Job evaluation can create unnecessary and undesirable pecking orders and power relationships in the organization. In several organizations that I have studied, it has led groups that were previously relatively egalitarian and cooperative to becoming much more hierarchical and power oriented. In knowledge work and high technology work there is good evidence that the last thing that is needed is a rigid hierarchical structure. Indeed, the key to success often is utilizing the technical knowledge and the innovation that comes from the bottom of the organization.

VALUE ORIENTATION

The job evaluation approach is based on the principle that people are worth what they do. In many cases this may not be the most desirable cultural value to communicate in an organization. It tends to depersonalize people and equate them with a set of duties rather than

with who they are and what they can do. It tends to de-emphasize paying people for the skills that they have and for the performance that they demonstrate. An alternative message is to emphasize people growing, developing, performing their jobs well and being evaluated as total human beings. In today's rapidly changing, highly competitive environment a message which says grow, develop and perform well seems to be more on target than one that says grow your job or get promoted. In organizations whose key assets are its human resources, a system which focuses on people rather than on jobs would seem to be a better fit.

INTERNAL/EXTERNAL FOCUS

Competitive benchmarking and a focus on what other companies are doing in the marketplace is becoming an increasingly important part of many companies' strategies for business success. In the ideal case pay rates should be part of this external comparison process. Indeed, some companies (e.g., TRW) now try to target the salary levels to how they perform in comparison to their competitors. Point factor job evaluation, however, tends to focus pay on the internal relationships among jobs. It purports to provide a common metric (points) which is comparable across all jobs in the organization. This makes it possible for an individual to look across the organization and determine how his or her job "should" stack up in terms of pay.

Thus, at times when employees need to be focusing on the competition they often end up focusing internally on how other individuals are paid and how they can improve their relative pay position. This takes them away from the key business issues which are external competitive comparisons. What is more it also tends to lead to a ratchiting up and inflation of internal pay rates. The natural tendency is to find a job

internally that is relatively highly evaluated and to use it as the benchmark which drives the internal pay structure. This is a virtually inevitable consequence of individuals being able to compare their jobs with other jobs on a common metric.

STRATEGIC ORIENTATION

Large organizations are realizing that pay can be an important strategic factor. It can be strategic by helping to reinforce the excellence of an organization in a particular function or particular area. If there is, for example, a competitive advantage in being the best at production, compensation can help by paying higher levels and providing better incentives to production people.

It also can be a strategic factor if particular units and particular businesses can focus on their strategic pay issues. A company in multiple businesses can target compensation levels and practices to those multiple businesses. This has the potential advantage of aligning costs more closely with the competitors and causing people to focus more on the competitive environment.

A point factor job evaluation system rather than aiding strategic compensation management, often ends up as a hindrance. It ends up as a hindrance because it makes it less politically acceptable to target certain functions and/or certain business units for different levels of compensation. It is a natural tendency for the point factor approach to encourage internal equity and therefore to focus away from external business equity and strategic advantage thinking. Obviously, this can be overcome if organizations are willing to translate the same points into different amounts of dollars either in different businesses or in different functional areas but this is often politically difficult to

do. A companywide point factor system highlights the fact that this is going on and often makes it politically unacceptable.

ORGANIZATIONAL CHANGE

Today, organizations operate in a world that is characterized by rapid rates of change and the need to quickly and easily adapt to change. If anything, the point factor approach discourages organizations from changing rather than reinforcing it. It does this in several ways. First, by the kind of work it takes to create a job description and job evaluation, it generates a high investment in the status quo. Organizational change and reorganization become major work load issues in this system. It is no small task to rewrite all the job descriptions and re-evaluate all jobs when a major reorganization occurs.

But perhaps the major factor in change is the potential effect it may have on the relative pay of individuals. Most major changes involve some individuals giving up responsibilities and accountabilities while others gain them. If the point factor approach is used, change means that some people win in terms of increased pay and other people lose. This sets up a competition among individuals and often a strong resistance to much needed changes. In short, point factor systems often end up as servants of the status quo rather than as stimulants for needed organizational change.

POINT GRABBING

After organizations have point factor methods for a while, individuals become quite sophisticated in how to get jobs evaluated highly. They realize that creatively written job descriptions as well as changing job duties can lead to increases in pay. This can lead to

considerable amount of time and effort being spent by individuals on rewriting job descriptions so that they will be scored more highly. It can also lead to individuals grabbing added responsibilities in order to get more points. The responsibilities added can include extra budget and more subordinates, items that can add to the cost of doing business.

Overall, in a rather direct although unintended way, point factor systems reward individuals for creating overhead and higher costs. This is exactly the opposite direction from the one in which most organizations are trying to move. The trend now is toward low overhead, leaner and flatter organizations, and careful expense control. Point factor job evaluation, on the other hand, has a tendency to reward individual managers who increase expense levels and add to the number of individuals reporting to them by giving them more points and higher salaries.

HONESTY/CREDIBILITY

Because rewriting job descriptions can in fact lead to higher pay levels, there is a real danger that point factor systems can encourage and reward dishonesty. It is all too easy to learn that the way to "beat the job evaluation system" is to write overly flamboyant and inclusive job descriptions. This is a kind of corporate misinformation which can be destructive of the long term credibility of the organization. Evidence that this goes on is provided by the fact that most job evaluation systems have an internal audit or a desk audit to catch supervisors who are lying about the duties of themselves and their subordinates. In some ways this is not a fault of the system so much as it is a fault of the individual managers, but there are features of the

system that tend to encourage this kind of misreporting, most notably the tying of pay levels to the job description itself.

Over time the writing of inflated job descriptions can become standard operating procedure in an organization. This can have three important negative consequences. First point inflation can occur and as a result the organization simply ends up paying everyone too much. Second, it can contribute to an organization culture in which it is okay to provide misinformation to the personnel systems. Finally, it can lead to an adversarial relationship between the compensation department and the rest of the organization if the former tries to correct the point inflation problem.

COST OF JOB EVALUATION SYSTEMS

A job evaluation system is expensive to administer. It usually requires a rather extensive internal compensation staff as well as external consulting help. Indeed, when one looks at the amount of external support needed to maintain a job evaluation system its easy to see why many consulting firms are so enthusiastic about the use of point factor methods. Organizations typically pay for the installation of systems and for ongoing audits, market data, and even administrative help. Putting the system in is the razor for consulting firms; servicing it is the blades.

Inside the organization there is usually the need for a rather large staff to administer the system. After all, thousands of job descriptions need to be written and maintained, job evaluation committees need to meet, people need to be trained in job evaluation technologies and of course jobs need to be priced. As was mentioned earlier, system maintenance can also take a great deal of the time of

line employees; not only do they need to provide job descriptions, but they typically serve on job evaluation committees. In short, job evaluation is a tremendous producer of records, numbers and bureaucratic overhead.

CAREER ORIENTATION

Because most job evaluation systems assign a large weight to factors concerned with level of responsibility and reporting relationships, point factor systems typically strongly reinforce the idea of hierarchy. Virtually every point factor system creates an internal wage structure in which the major way to increase compensation is to be promoted. Promotion is the surest way to increase one's points and therefore one's pay. This relationship makes considerable sense in organizations that are looking for the best and the brightest to move up the hierarchy. It nicely reinforces a "Linear Career Orientation" and fits well with traditional top down control oriented management. In the traditional management it is highly desirable to have most if not all individuals striving for upward mobility and to be assured that the best and the brightest end up in the top management positions.

The situation is quite different, however, in knowledge work and high technology work. To be successful in these situations, many organizations need individuals who obtain technical excellence as well as individuals who prefer to make horizontal career moves in order to develop a broad based understanding of the organization. The technical specialist career role and the horizontal career orientation are clearly not reinforced by the typical point factor approach. Individuals choosing those careers can look forward to static and potentially even

declining compensation if their organization uses a point factor approach.

One additional note is relevant here. As organizations become flatter and leaner there is going to be considerably less opportunity to move up the hierarchy. This raises further questions about the desirability of a pay system which strongly rewards people for upward mobility. If upward mobility is going to be less available, it perhaps is not as important to motivate people to try to achieve it. Indeed, it may be counterproductive to strongly motivate this kind of behavior because it will produce large numbers of frustrated disillusioned dead-ended individuals in the organization. This final point ties in with the current demographics in our country which show that the large Baby Boom generation is now entering into management positions. They are entering in large numbers but there aren't large numbers of upward spots for them to occupy. Point factor systems can only aggravate their disappointment.

EFFECTS OF PROMOTION

Inherent in the point factor approach is the idea that promotion warrants a significant pay increase. It warrants it not because a person is necessarily more valuable or skilled or has accomplished anything worthwhile, rather it warrants it because the person has taken on additional job responsibilities. Indeed, in many organizations, whether a career move is considered to be an upward move or not is dictated by the number of additional job evaluation points that the new job involves. This can lead to individuals refusing job moves because they are "not worth enough additional points." Some organizations become relatively inflexible in their career moves because people have

learned to look for a certain number of additional points before they make a career move. If this becomes too strong a part of the organization culture, certain desirable moves get ruled out simply because they are not worth enough additional points.

It is possible to even challenge the whole logic of someone receiving an increase simply because they have moved on to a higher level job. An alternative approach is to wait until the person has demonstrated that they can do the new job before giving them an additional amount of money. Giving them money simply because they have taken on new responsibility is a non-performance contingent reward practice. As a result of it many organizations end up spending a great deal of their pay dollars to reinforce job changes rather than performance levels or skill growth. Is it any wonder that individuals often spend more time worrying about what their next job will be than they spend worrying about how well they are performing their present one?

OTHER USES AND MISUSES

In many organizations, the points developed by the point factor job evaluation approach end up getting used for a number of nonpay purposes. These include who gets parking spaces and other perquisites, who gets included in certain meetings, who gets certain communications; in short, a whole host of positives often get attached to achieving higher and higher point totals. It is perhaps unfair to criticize the point factor approach because of the other uses that are made of it. Nevertheless, the fact is that it gets used in these ways. The problem with using it in these ways, of course, is that the point factor system was not designed to be a multi-purpose evaluation of who should engage in a wide

variety of organizational activities and get a wide variety of organizational perquisites and benefits.

Using job evaluation points more broadly has two decidedly negative effects. First it makes them even more important to individuals than they might be if only pay was contingent upon them. This wouldn't be a problem if they were objective, right, etc., but it is a problem since they are inherently a subjective evaluation and as noted earlier subject to some manipulation. Secondly their use for other purposes is often inappropriate simply because they don't measure and represent the kind of things that ought to be considered when such things as memo circulation and meeting attendance are being decided. They get used, however, because they are there and they are quantitative and seemingly objective.

CONCLUSION

My criticisms of the point factor approach highlight that it is more than just a pay system. It is a way of thinking about work and organizing people. It reinforces a particular value system and a particular orientation to management. The decision to adopt it therefore should not be taken lightly. Once it is installed it can be a terribly captivating and dominating part of corporate culture. It is not unfair to say that in some cases organizations end up managing in ways that are designed to make their point factor job evaluation systems work. Their job evaluation system ends up influencing the kind of businesses they go into, the kind of reorganizations that they make and the kind of career moves that they make. A classic example of means ends reversal.

Finally it is worth noting that there are alternatives to the point factor job evaluation approach. Certainly one possibility is to stay with a job based approach and simply take all or virtually all jobs to the market individually. This solves some of the problems with the point factor approach but may increase the workload for the compensation staff. It means more emphasis on pricing jobs and greater effort in the salary survey arena. In some respects, however, this is not necessarily dysfunctional. It helps to focus the organization externally and may produce more competitive overall compensation costs.

The second alternative is to go to a skill based pay system. Describing skill based pay is far beyond the scope of this article, but it is appropriate to note that it is gaining popularity for production jobs. It has always been practiced to a degree for technical people and knowledge work people. So far no major corporation has adopted it on a corporatewide basis, but it does show promise as an alternative to job based pay.

Overall, the times seem to have passed point factor job evaluation. For decades, it was a useful technique for determining relative compensation levels. It served traditional management well, but just as traditional management is becoming less appropriate so are point factor job evaluation approaches. It is certainly premature to say that we have seen the last of the system, but it probably is fair to say that it has reached its zenith and increasingly will be replaced by new approaches that are based on a different approach to management.