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Bergmann, T. J., and Scarpello, V. G. (2001). Point method of job evaluation. In Compensation decision making. New York, NY: Harcourt.

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## POINT METHOD OF JOB EVALUATION

In the point method (also called *point factor*) of job evaluation, the organization identifies the compensable factors and breaks them down into degrees. The organization must also weight the factors, determine the number of complexity levels or degrees for each factor, and assign points. The result is that the evaluator assigns a numeric score to a job for each factor based on how much of that factor appears in the job. The job's total worth is then determined by adding up the numeric scores across all factors. This procedure, when conducted across all jobs, will result in a relative ordering of jobs based on the number of points that each job earns.

Although the point method allows an organization to develop one job evaluation scheme for all jobs in the organization, this is rarely done for several pragmatic reasons. First, it is difficult to identify one set of compensable factors that is applicable for all jobs. For example, the use of working conditions may distinguish among shop jobs, but there is not likely to be any variance among office jobs on that compensable factor. Second, creating single definitions of factors in language easily understood by all employees would be nearly impossible. Different operational definitions would be needed for the same compensable factor for different clusters of jobs. Third, the fact that different job groups are often anchored to different labor markets cannot be ignored.<sup>29</sup> In an equity sense, comparison with job families (clusters) within an organization may be less relevant than comparison with a job family in the relevant labor market. With point methods of job evaluation, organizations usually have a series of job evaluation plans. For example, there may be one plan for skilled shop jobs, another plan for unskilled assembly work, and still a third plan for office and clerical. The point method can evaluate all jobs simultaneously, rather than limiting evaluation to only key jobs.

The steps for implementing the point method of job evaluation are summarized in Exhibit 8.13.

### STEPS IN THE POINT METHOD

**STEP 1: SELECT THE JOB CLUSTER AND THE JOBS TO BE EVALUATED.** This is the same as in other methods of job evaluation.

**STEP 2: INPUT JOB INFORMATION.** As with all job evaluation approaches, the jobs must be analyzed and job descriptions/specifications prepared.

**STEP 3: SELECT COMPENSABLE FACTORS.** Just as with other methods or other job evaluation methods, the point method generally uses a set of factors that has been

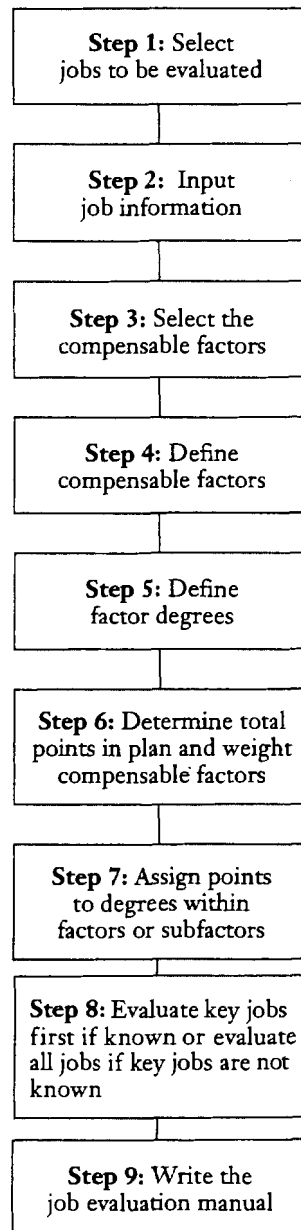
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## EXHIBIT 8.13

## STEPS IN THE POINT METHOD OF JOB EVALUATION



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developed by others (refer back to Exhibit 8.8). It has long been accepted that three to five factors are sufficient to capture a desired criterion structure.<sup>30</sup> Additional factors may be merely redundant and do not explain unique variation in the job structure. However, it is also important to remember that job evaluation plans are rationalizations for job relationships and the pay structure. Therefore, if employees and management believe that additional factors are important for job worth purposes, they should be included to provide "face validity" to the plan.<sup>31</sup> Basically, the job evaluation committee should select those factors that are viewed within the organization as most important in rewarding work and distinguishing among jobs.

**STEP 4: DEFINE COMPENSABLE FACTORS.** In this step, once factors are chosen, the committee must clearly define what each factor will mean in the context of the job evaluation plan.

The more specific a factor is, the narrower the definition tends to be, and frequently, the easier the factor is to use. One of the important criteria in determining whether factors are broadly or narrowly defined is related to the types of jobs covered. If the jobs are from a narrow job cluster, the factor might be correspondingly narrow. However, if the jobs are from a range of job clusters, factors will need to be correspondingly broader with more subfactors to capture variability in all the jobs.<sup>32</sup>

As an example of this point, suppose an organization is defining the factor of working conditions for a narrow job cluster of shop jobs. In this case, the subfactor definitions might include only noise and temperature. If the firm wishes to use one job evaluation plan to cover office workers as well, another subfactor for working conditions might be necessary, such as visual concentration (to cover staring at video terminals).

Some organizations use factors and subfactors as illustrated in Exhibits 8.14A and B. Exhibit 8.14A allots the total percent to the factor, whereas Exhibit 8.14B divides the percent for the factor over several subfactors. For example, Exhibit 8.14B shows that the skill factor in the context of job evaluation has three subfactors: education and job knowledge, experience and training, and initiative and ingenuity. Each subfactor will have to be operationally defined in specific terms.

Exhibit 8.15 gives examples of three general factor definitions.

**STEP 5: DEFINE FACTOR DEGREES.** The committee must decide how many degrees should be on the scale for a given factor or subfactor. There should be adequate degrees to make meaningful distinctions among jobs. If there are too many degrees, the distinctions may be meaningless. Also, if no job falls within the degree, the steps are probably too narrowly defined. Exhibit 8.16 shows one method of defining factor degrees. All factors or subfactors do not have to use the same number of degrees.

**STEP 6: DETERMINE TOTAL POINTS IN PLAN.** The process for assigning point values to factors begins with a decision as to how many total points the job evaluation plan will have. There is no magic number of points that a plan should have. A general rule is to have enough total points in the plan to differentiate adequately

## • EXHIBIT 8.14A

## FACTORS, DEGREES, AND WEIGHTED POINT VALUES FOR OFFICE EMPLOYEES

Factor	Percent	Points					
		First Degree	Second Degree	Third Degree	Fourth Degree	Fifth Degree	Sixth Degree
Job knowledge	25	25	100	175	250	—	—
Training	10	10	33	55	78	100	—
Independent judgment	25	25	100	175	250	—	—
Accountability	20	20	65	110	155	200	—
Working conditions	5	5	20	35	50	—	—
Mental	15	15	42	69	96	123	150

Note: Total points in plan are 1,000.

among the jobs to be evaluated. Under normal conditions, there should be enough points to adequately distinguish among the jobs in the organization.

After determining the total number of points that will go into the job evaluation plan, the committee must determine how the points will be divided among the factors or subfactors. Points may be assigned to factors based on committee judgment or based on statistics. Statistical assignment of points is less common partly because of its complexity. Nonetheless, several plans do use regression techniques to find which factors best predict pay rates for jobs.<sup>33</sup> One study found that about 40 percent of the plans used by responding organizations rely on statistical weighting, and the balance rely on judgmental weighting.<sup>34</sup>

The assignment of points to each of the various factors is equivalent to weighting each factor based on its importance. As an example, suppose that an organization has a skill factor in its plan and considers it a very important factor, weighting it at 50 percent. In this case, assuming that the plan carries a maximum of 1,000 points (see Exhibit 8.17A), the skill factor is assigned 500 points ( $1,000 \times 0.50 = 500$  points). In this same fashion, points are assigned to subfactors. If skill is composed of several subfactors (such as education and job knowledge; experience and training), then the points are divided among them. If the organization decides that the education and job knowledge subfactor should be weighted 60 percent and experience and training should be weighted 40 percent, then these subfactors would receive 300 and 200 points, respectively. When the organization is not using subfactors, then the total points in the plan (see Exhibit 8.17B) are multiplied by the factor weight to yield the factor points at their highest degree (for example, responsibility— $1,000$  points  $\times 0.25 = 250$  points).

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EXHIBIT 8.14B

FACTORS, DEGREES, AND WEIGHTED POINT VALUES FOR HOURLY EMPLOYEES FOR ORGANIZATIONS USING SUBFACTORS

Factors and Subfactors	Percent	Points						Weight in Percent
		First Degree	Second Degree	Third Degree	Fourth Degree	Fifth Degree	Sixth Degree	
Skill	50							
Education and job knowledge		12	24	36	48	60	72	12
Experience and training		24	48	72	96	120	144	24
Initiative and ingenuity		14	28	42	56	70	84	14
Effort	15							
Physical demand		10	20	30	40	50	60	10
Mental or visual demand		5	10	15	20	25	30	5
Responsibility	20							
Equipment or tools		6	12	18	24	30	36	6
Material or product		7	14	21	28	35	42	7
Safety of others		3	6	9	12	15	18	3
Work of others		4	8	12	16	16	20	4
Job Conditions	15							
Working conditions		10	20	30	40	50	60	10
Unavoidable hazards		5	10	15	20	25	30	5
Total	100	100	200	300	400	500	600	100

Source: H. G. Zollitsch and A. Langsner, *Wage and Salary Administration*, 2d ed. (Cincinnati, OH: Southwestern Publishing Co, 1970), 234. Reprinted by permission of Herbert G. Zollitsch.

## • EXHIBIT 8.15

## OPERATIONAL DEFINITIONS FOR COMPENSABLE FACTORS

**Job Knowledge**

This factor considers the skills necessary to perform the job such as finger dexterity, clerical skills (typing, dictation, filing), human relations skills, and telecommunication skills.

**Training**

This factor considers training the worker must have. It is measured by the number of weeks of on-the-job or formal technical training it will take a worker to be able to perform the job.

**Working Conditions**

This factor considers the requirements of a job concerning the number and severity of unpleasant work context elements present on the job (for example, ventilation, eye strain, temperature).

## • EXHIBIT 8.16

## DEGREE DEFINITIONS FOR EXPERIENCE AND TRAINING TIME REQUIRED

Degree	Training Time
1	1 month or less
2	More than 1 month but less than 3 months
3	At least 3 months but less than 6 months
4	At least 6 months but less than 1 year
5	1 year or more

**STEP 7: ASSIGN POINTS TO DEGREE WITHIN FACTORS OR SUBFACTORS.** Once the total number of points and the weight of a factor or subfactor are established, the next step is to assign points to the degrees within the factors. Exhibit 8.17A illustrates one procedure for assigning points to subfactor degrees. First, the highest degree of a subfactor is assigned the maximum points for the subfactor. Using the education and job knowledge subfactor from the example in Step 6, the highest degree of this subfactor is assigned 300 points. Second, the number of factor degrees is determined, and points are assigned to the lowest degree. The 30 points is arrived at by multiplying the subfactor weight (0.60) by the factor weight (0.50) to determine its relative weight in the overall plan ( $0.60 \times 0.50 = 0.30$ ). This percent is then used as the lowest point value.<sup>35</sup> Thus the lowest point value for the first degree for the subfactor education and job knowledge is 30 points. In the example, the education and job knowledge subfactor received 300 points; the lowest degree is assigned 30 points. Third, the lowest degree points are subtracted

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EXHIBIT 8.17A

ALLOCATING POINTS TO SUBFACTOR DEGREES

Total points in job evaluation plan:	1,000 points
Weight of the factor skill:	50%
Points assigned to skill:	$1,000 \times 0.50 = 500$
Weights assigned to skill subfactors of education and job knowledge, and experience and training:	
education and job knowledge:	60%
experience and training:	40%
Points assigned to education and job knowledge:	$500 \times 0.60 = 300$
Number of degree steps for subfactor education and job knowledge:	7
Assign points to lowest degree (subfactor: weight x factor weight = $0.60 \times 0.50$ ; % = point value)	30 points
Highest point value (300) minus the point value for the lowest degree (30) = $300 - 30$ :	270 points
Divide the remaining degrees (6) into the remaining points = $270 \div 6$ :	45 points increments

Education/Job Knowledge Subfactor

- Therefore: Degree 1 = 30 points
- Degree 2 = 30 + 45 = 75 points
- Degree 3 = 75 + 45 = 120 points
- Degree 4 = 120 + 45 = 165 points
- Degree 5 = 165 + 45 = 210 points
- Degree 6 = 210 + 45 = 255 points
- Degree 7 = 255 + 45 = 300 points

from the highest degree points (300 points - 30 points = 270 points), and this quantity is divided by the number of factor degrees minus 1. This value plus the points assigned to the prior degree (beginning with 30, in this case) gives the number of points to be allocated to each subsequent factor degree. See Exhibit 8.17A for an illustration of when factors and subfactors are used and Exhibit 8.17B of when only factors are used.

This procedure assumes that factor or subfactor degrees are equidistant from each other. Usually this procedure gives an adequate distinction between jobs. However, if the committee believes that equidistances between degrees are not

## • EXHIBIT 8.17B

## ALLOCATING POINTS TO FACTOR DEGREES

Total points in job evaluation plan:	1,000 points
Weight of the factor responsibility:	25%
Points assigned to responsibility:	$1,000 \times 0.25 = 250$
Number of degree steps for responsibility factor:	4
Assign points to the lowest degree (equals factor weight because there are no subfactors)	25 points
Highest point value (250) minus the point value for the lowest degree (25) = $250 \div 25$ :	225 points
Divide the remaining degrees (3) into the remaining points = $225 \div 3$ :	75 point increments
Therefore:	Degree 1 = 25
	Degree 2 = $25 + 75 = 100$
	Degree 3 = $100 + 75 = 175$
	Degree 4 = $175 + 75 = 250$

satisfactory because the definitions are not equidistant from each other, points can be assigned to factor degrees in a manner consistent with committee judgments about differences between degrees.

Some point plans use a geometric progression in assigning points to degrees. Points may be assigned on the basis of 2, 4, 8, 16, 32 and 64. When geometric progressions are used, the committee will need to do log transformations of the point scale to assign degrees. The use of geometric progressions does not alter the relative rank of jobs; it only creates a perception of greater distances between jobs.<sup>36</sup>

Having developed the weighting scale for factors and degrees within factors, the committee must then check the validity of the results by evaluating several key jobs to determine whether the point plan as developed results in the expected job hierarchy. This step is critical if the points were developed judgmentally.<sup>37</sup>

**STEP 8: EVALUATE JOBS.** When key jobs are known, key jobs are evaluated first and then the unique jobs are evaluated and fit between the key jobs. When key jobs are not known, each job is evaluated using the newly designed point method and then the validity of job evaluation is determined by whether the resulting job structure mirrors the pay structure ordering of key jobs in the labor market. Key jobs are identified by comparing all job definitions within the organization with the definitions of jobs in the survey. If the comparison shows that the key jobs in the organization are not ordered in the same way as they are in the labor market,

then the definition identified as key jobs or the correct key job, you must. This is done to mean, median. Once fit between job evaluation pensable factors

**STEP 9: WRITE** activities must documented job committee. Document the factors checked for assigning factors, subfactors

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**EXAMPLES**

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then the definitions of the compensable factors must be examined and the jobs identified as key jobs must also be examined. Either some of the jobs are not key jobs or the compensable factors are not defined properly. If the problem is with a key job, you return to Step 1; if it is with a compensable factor, return to Step 3. This is done to validate the job evaluation; therefore, the wage rate (for example, mean, median) used for comparison with the hierarchical order is not important. Once fit between the market rates and key job evaluation rates is established, the job evaluation plan is validated and should not be changed until the jobs and compensable factors for those jobs are changed.

**STEP 9: WRITE THE JOB EVALUATION MANUAL.** The results of the committee's activities must be written up in a job evaluation manual. Without a well-documented job evaluation plan, the plan is not usable except by the original committee. Documentation of the committee's work should include the rationale for the factors chosen, the rationale for weighting the factors, the rationale and procedures for assigning points to factor degrees, and, finally, a description of the factors, subfactors, and the degrees assigned to each.

Committee members should remember that other employees who were not involved in development of the plan may have to use it. The documentation of the committee's work should be clear enough so that other employees using the job evaluation manual could retrace the decisions. It is recommended that noncommittee members review the manual and that the committee make any necessary revisions based on their comments.

#### EXAMPLES OF POINT METHOD

Two examples of point-type plans are the National Position Evaluation Plan (NPEP) and the Hay Guide Chart Profile Method.

**MULTIFACTOR METHODS.** The NPEP originated with the National Metal Trades Association (NMTA) and the National Electrical Manufacturers' Association (NEMA), but it is now known as NPEP. Some organizations still use the original version. The NEMA originally identified the four general factors of skill, effort, responsibility, and working conditions. Each of these factors was then divided into subfactors. NMTA designed a similar method to evaluate jobs. For example, NMTA defines five factors (training, initiative, responsibility, job conditions, and supervision) for clerical, technical, and service positions. The subfactors for each factor are as follows: training (knowledge, experience), initiative (complexity of duties, supervision received), responsibility (errors, contact with others, confidential data), job conditions (mental/visual demands, working conditions), and supervision (character of supervision, scope of supervision). The NPEP has separate plans for these job areas: manufacturing, maintenance, warehousing, distribution, and service (unit 1); nonexempt clerical, technical, and service (unit 2); exempt supervisory, professional, sales, and administrative (unit 3); and executive (unit 4). Interested parties are able to purchase manuals from the NMTA that provide factors, factor definitions, and factor degree definitions.<sup>38</sup>

**HAY GUIDE CHART PROFILE METHOD.** The Hay method of job evaluation probably has been the most popular proprietary job evaluation system available.<sup>39</sup> The system was developed for use on predominantly white-collar, managerial, and professional jobs. It is actually a variation on the factor comparison and point methods of job evaluation. As developed by Hay and associates, the Hay plan uses three universal factors to compare all jobs: know-how, problem solving, and accountability. When appropriate, a fourth factor—working conditions—can be added.<sup>40</sup> Know-how is the total of all skills and knowledge required to do the job; it measures the interrelationship between the three subfactors of specialized and technical knowledge, managerial relations, and human relations. Problem solving is the amount of original thinking required to arrive at decisions in the job; it is composed of the two subfactors of thinking environment and thinking challenge. Accountability is the answerability for actions taken on the job; it is composed of freedom to act, impact on end-results, and magnitude of impact.

To use this method, the evaluator needs the Hay guide chart for each of the three factors. The job is then assigned a point value for each factor/subfactor. The total of points across all the factors is the point value for the job. Each job evaluated requires a profile that shows the relative weights of the three compensable factors. The weight assigned to problem solving cannot be greater than that given to know-how, based on the belief that you cannot use knowledge that you do not have.

The traditional Hay system (guide chart method) is based on an idea that there are universal compensable factors that are applicable across industries and companies. Currently, the guide chart method makes up only a small amount of compensation system design work performed by Hay Management Consultants. Hay has developed an approach called the Hay Dynamic Pay concept,<sup>41</sup> which is consistent with the philosophy of this text. The Hay Dynamic Pay concept is based on the fact that organizations operate in a dynamic world, and therefore they must be adaptable. These organizations need pay programs that are integrated with the organizational culture, that correspond to the organizational strategy and structure, and that respect the nature of the organization's employees. In this approach, greater emphasis is placed on the value of the individual, not just on the value of the job.

Hay has identified four basic models for classifying organizations. The *functional model* focuses primarily on reliability and consistency of operations. Traditional management hierarchies are established to control and monitor the organization's operations. The process model is a result of the recent emphasis on quality and customer satisfaction. It emphasizes employee empowerment, formal and informal communication, and the integration of planning, execution, and control to increase the firm's ability to respond to customer needs. The time-based model "emphasizes the ability to dominate markets in their high profitability phases, and then move toward a new opportunity as those markets reach a mature, lower-return stage."<sup>42</sup> These organizations are generally finance- and manufacturing-driven. The network model emphasizes flexibility and responsiveness to customer and market needs. Traditional management structures and long-term alliances are replaced by temporary alliances and a high level of flexibility and adaptiveness. Hay suggests that the compensation mix between base pay, variable pay, and benefits varies

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based on the organizational model under which the organization is operating. Because most organizations do not fit nicely into one of the four models, it is essential that the compensation program be tailored uniquely for each organization. More and more experts are declaring that the view of compensation as a "one dimensional, static, and independent element of the organization needs to be replaced with a vision that pay is always evolving, fully integrated, multifaceted, and dynamic."<sup>43</sup>

#### ADVANTAGES AND DISADVANTAGES OF THE POINT METHOD

Probably the greatest single advantage of the point method is that once factors and degrees are defined, the job evaluation plan should be highly stable over time. The compensable factors should remain valid until there is radical change in the way the organization does business. Second, given the amount of work that goes into a carefully defined job evaluation manual, the plan is likely to be perceived as valid by the users, thus enhancing employee perceptions of equitable treatment. Third, because factors and degrees are carefully defined, and if accurate job descriptions or job specifications are used for job evaluation and evaluators are trained, there is likely to be high agreement within the committee in assessing jobs. A fourth advantage of the point method is that it provides ample data to explain to employees why their jobs fall where they do in the overall pay structure or to prepare a case in appeals that may be brought forward by employees, the union, or governmental agencies. Finally, the point method is easy to use and is acceptable to employees, union officials, and managers.

Probably the greatest disadvantage to a custom-designed point plan is the time, effort, and money required to set up the plan. Implementation of the point method requires careful definition and weighting of factors, careful definition and assignment of degrees to factors, and careful development and documentation of the evaluation manual. The compensation decision maker must weigh the benefits of this approach against the costs.

Organizations that use point methods of job evaluation first assign a point value to each job and a range of point values for each job grade and then place jobs whose points fall between the assigned point range for each grade into that grade. This is done to simplify administration and also to increase evaluation accuracy. Theoretically, a one point difference between jobs indicates different value. In practice, however, such fine job worth distinctions are difficult to justify and to administer. Each job can, however, be classified into a manageable number of job grades by assigning a range of point values to each job grade. Thus, in practice, all point methods of job evaluation end up being classification systems in which jobs with particular point ranges are assigned to a job grade that reflects the relative value of the jobs in that grade to other jobs in different grades.

The validity of the point method—and of the other methods as well—has been called into question by a recent study that concentrated on the issue of compensable factors. The study used three common point methods and the four compensable factors suggested by the Equal Pay Act of 1963 (see Exhibit 8.8). Researchers found a consistency regarding the total job worth across the methods, thus attesting to their

reliability; their validity, however, was not attested to. The issue was: Does the statistical always reflect the practical? For example, the city involved in the testing ranked the job of detective above the job of police officer, yet all three job evaluation instruments inverted the order of these jobs. This discrepancy suggests that the four factors chosen may not have been operationalized in ways that accurately reflect the complexity of the detective and police officer jobs. Alternatively, the combination of tasks performed on the detective and police officer jobs may have been such that in combination, job complexity across the two jobs was captured by the job evaluation instruments accurately and the city's ranking of jobs was biased.<sup>44</sup>

## OTHER JOB EVALUATION TECHNIQUES AND VARIATIONS

The four methods of job evaluation reviewed in this chapter are the most commonly used methods. However, there are other approaches to job evaluation. The following methods are briefly discussed because a number of companies use these specific techniques.

### SINGLE-FACTOR JOB EVALUATION METHODS

One of the more intriguing job evaluation methods was suggested by Elliott Jaques.<sup>45</sup> Jaques argued that all jobs can be evaluated in terms of their time span of discretion. Jaques defined time span of discretion as the longest period of time an employee is permitted to exercise discretion without review of his or her actions by a supervisor.

Although this approach is interesting, there is not a great deal of empirical work to substantiate it. Where research has been conducted, researchers have found that organizations have difficulty administering such a program. The principal problem seems to be getting an accurate description of the time span for any given job. Another problem is that time span of discretion amounts to a single-factor method of job evaluation, and most employees would probably prefer to have several important job dimensions reflected in the evaluation process.<sup>46</sup>

There are other single-factor job evaluation methods besides Jaques's approach, such as the popular problem-solving compensable factor method.<sup>47</sup> This approach amounts to a ranking method using the problem-solving factor as the criterion for ranking jobs. A third single-factor method that uses decision making as the compensable factor was developed by Arthur Young International and called Decision Band Method.<sup>48</sup> It was based on the belief that all jobs (regardless of level) require some level of decision making, and this provides a common yardstick on which to evaluate them. The method uses the following six bands on which jobs are compared: corporate policy making, programming, interpretive, process, operational, and defined. Bands D, E, and F are "adaptive" bands (that is, related to planning), whereas the three lower bands (A, B, C) are "instrumental" and are related to the execution of decisions made in bands D, E, and F. Each band is subdivided through a subgrading process using factors related to the decision-making criteria.

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