



human

Gary Dessler

tenth edition

resource management

Chapter 11

Part 4 Compensation

Establishing Strategic Pay Plans

*After studying this chapter,
you should be able to:*



- 1. List the basic factors in determining pay rates.*
- 2. Explain in detail how to establish pay rates.*
- 3. Explain how to price managerial and professional jobs.*
- 4. Discuss current trends in compensation.*

Determining Pay Rates

➤ *Employee compensation*

- All forms of pay or rewards going to employees and arising from their employment.

➤ *Direct financial payments*

- Pay in the form of wages, salaries, incentives, commissions, and bonuses.

➤ *Indirect financial payments*

- Pay in the form of financial benefits such as insurance.

Overview of Compensation Laws

➤ *Davis-Bacon Act (1931)*

- A law that sets wage rates for laborers employed by contractors working for the federal government.

➤ *Walsh-Healey Public Contract Act (1936)*

- A law that requires minimum wage and working conditions for employees working on any government contract amounting to more than \$10,000.

Overview of Compensation Laws (cont'd)

➤ *Title VII of the 1964 Civil Rights Act*

- This act makes it unlawful for employers to discriminate against any individual with respect to hiring, compensation, terms, conditions, or privileges of employment because of race, color, religion, sex, or national origin.

Overview of Compensation Laws (cont'd)

➤ *Fair Labor Standards Act (1938)*

- This act provides for minimum wages, maximum hours, overtime pay for nonexempt employees after 40 hours worked per week, and child labor protection. The law has been amended many times and covers most employees.

➤ *Equal Pay Act (1963)*

- An amendment to the Fair Labor Standards Act designed to require equal pay for women doing the same work as men.

Who Is Exempt? Who Is Not Exempt?

Exempt Professionals

- Attorneys
- Physicians
- Dentists
- Pharmacists
- Optometrists
- Architects
- Engineers
- Teachers
- Certified public accountants
- Scientists
- Computer systems analysts

Exempt Executives

- Corporate officers
- Department heads
- Superintendents
- General managers
- Individual who is in sole charge of an
“independent establishment” or branch

Exempt Administrators

- Executive assistant to the president
- Personnel directors
- Credit managers
- Purchasing agents

Nonexempt

- Paralegals
- Nonlicensed accountants
- Accounting clerks
- Newspaper writers
- Working foreman/forewoman
- Working supervisor
- Lead worker
- Management trainees
- Secretaries
- Clerical employees
- Inspectors
- Statisticians

Note: These lists are general in nature, and exceptions exist. Any questionable allocation of exemption status should be reviewed by labor legal counsel.

Source: Jeffrey Friedman, “The Fair Labor Standards Act Today: A Primer,”
Compensation, January/February 2002, p. 53.

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Figure 11–1

Overview of Compensation Laws (cont'd)

- *Employee Retirement Income Security Act (ERISA)*
 - The law that provides government protection of pensions for all employees with company pension plans. It also regulates vesting rights (employees who leave before retirement may claim compensation from the pension plan).
- *The Age Discrimination in Employment Act*
 - Prohibits age discrimination against employees who are 40 years of age and older in all aspects of employment, including compensation.

Overview of Compensation Laws (cont'd)

➤ *The Americans with Disabilities Act*

- Prohibits discrimination against qualified persons with disabilities in all aspects of employment, including compensation.

➤ *The Family and Medical Leave Act*

- Entitles eligible employees, both men and women, to take up to 12 weeks of unpaid, job-protected leave for the birth of a child or for the care of a child, spouse, or parent.

Independent Contractor

Independent Contractor			
Managers are to use the following checklist to classify individuals as independent contractors. If more than 3 questions are answered "yes", the manager will confer with human resources regarding the classification. (EE = Employees, IC = Independent Contractors)			
Factors which show control:			
	Yes/EE	No/IC	N/A
1. Worker must comply with instructions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Worker is trained by person hired.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Worker's services are integrated in business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Worker must personally render services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Worker cannot hire or fire assistants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Work relationship is continuous or indefinite.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Work hours are present.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Worker must devote full time to this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Work is done on the employer's premises.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Worker cannot control order or sequence.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Worker submits oral or written reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Worker is paid at specific intervals.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Worker's business expenses are reimbursed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Worker is provided with tools or materials.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Worker has no significant investment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Worker has no opportunity for profit/loss.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Worker is not engaged by many different firms.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Worker does not offer services to public.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Worker may be discharged by employer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Worker can terminate without liability.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Figure 11–2

Corporate Policies, Competitive Strategy, and Compensation

➤ *Aligned reward strategy*

- The employer's basic task is to create a bundle of rewards—a total reward package—specifically aimed at eliciting the employee behaviors the firm needs to support and achieve its competitive strategy.
- The HR or compensation manager will write the policies in conjunction with top management, in a manner such that the policies are consistent with the firm's strategic aims.

Developing an Aligned Reward Strategy

Questions to Ask:

1. What are our company's key success factors?
What must our company do to be successful in fulfilling its mission or achieving its desired competitive position?
2. What are the employee behaviors or actions necessary to successfully implement this competitive strategy?
3. What compensation programs should we use to reinforce those behaviors?
What should be the purpose of each program in reinforcing each desired behavior?
4. What measurable requirements should each compensation program meet to be deemed successful in fulfilling its purpose?
5. How well do our current compensation programs match these requirements?

Source: Jack Dolmat-Connell, "Developing a Reward Strategy that Delivers Shareholder and Employee Value," *Compensation and Benefits Review*, March–April 1999, p. 51.

Compensation Policy Issues

- *Pay for performance*
- *Pay for seniority*
- *The pay cycle*
- *Salary increases and promotions*
- *Overtime and shift pay*
- *Probationary pay*
- *Paid and unpaid leaves*
- *Paid holidays*
- *Salary compression*
- *Geographic costs of living differences*

Compensation Policy Issues (cont'd)

➤ *Salary compression*

- A salary inequity problem, generally caused by inflation, resulting in longer-term employees in a position earning less than workers entering the firm today.

Equity and Its Impact on Pay Rates

➤ *The equity theory of motivation*

- States that if a person perceives an inequity, the person will be motivated to reduce or eliminate the tension and perceived inequity.

Forms of Equity

➤ *External equity*

- How a job's pay rate in one company compares to the job's pay rate in other companies.

➤ *Internal equity*

- How fair the job's pay rate is, when compared to other jobs within the same company

➤ *Individual equity*

- How fair an individual's pay as compared with what his or her co-workers are earning for the same or very similar jobs within the company.

➤ *Procedural equity*

- The perceived fairness of the process and procedures to make decisions regarding the allocation of pay.

Methods to Address Equity Issues

- *Salary surveys*
 - To monitor and maintain external equity.
- *Job analysis and job evaluation*
 - To maintain internal equity,
- *Performance appraisal and incentive pay*
 - To maintain individual equity.
- *Communications, grievance mechanisms, and employees' participation*
 - To help ensure that employees view the pay process as transparent and fair.

Establishing Pay Rates

➤ *Step 1. The salary survey*

- Aimed at determining prevailing wage rates.
 - A good salary survey provides specific wage rates for specific jobs.
- Formal written questionnaire surveys are the most comprehensive, but telephone surveys and newspaper ads are also sources of information.
 - **Benchmark job:** A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.

Sources for Salary Surveys

- *Consulting firms*
- *Professional associations*
- *Government agencies*
 - U.S. Department of Labor's Bureau of Labor Statistics (BLS) conducts three annual surveys:
 - Area wage surveys
 - Industry wage surveys
 - Professional, administrative, technical, and clerical (PATC) surveys.

Some Pay Data Web Sites

Sponsor	Internet Address	What It Provides	Downside
Salary.com	Salary.com	Salary by job and zip code, plus job and description, for hundreds of jobs	Adapts national averages by applying local cost-of-living differences
Wageweb	www.wageweb.com	Average salaries for more than 150 clerical, professional, and managerial jobs	Charges \$100 for breakdowns by industry, location, etc. location, etc.
Exec-U-Net	www.execunet.com	Salary, bonus, and options for about 650 management posts	Charges an initial \$125 for job details
Futurestep*	www.futurestep.com	Pay analyses for people eligible for managerial posts paying about \$50,000 to \$200,000 a year	Participants automatically subject to queries from Korn/Ferry recruiters
U.S. Office of Personnel Management	www.opm.gov/oca/04tables/index.asp	Salaries and wages for U.S. government jobs	Limited to U.S. government jobs
Job Smart	http://jobsmart.org/tools/salary/sal-prof.cfm	Profession-specific salary surveys	Necessary to review numerous salary surveys for each profession

*An alliance between recruiters Korn/Ferry International and the *Wall Street Journal*.

Table 11–2

Establishing Pay Rates (cont'd)

➤ *Step 2. Job evaluation*

- A systematic comparison done in order to determine the worth of one job relative to another.

➤ *Compensable factor*

- A fundamental, compensable element of a job, such as skills, effort, responsibility, and working conditions.

Preparing for the Job Evaluation

- *Identifying the need for the job evaluation*
- *Getting the cooperation of employees*
- *Choosing an evaluation committee.*
- *Performing the actual evaluation.*

Job Evaluation Methods: Ranking

- *Ranking each job relative to all other jobs, usually based on some overall factor.*
- *Steps in job ranking:*
 - Obtain job information.
 - Select and group jobs.
 - Select compensable factors.
 - Rank jobs.
 - Combine ratings.

Job Ranking by Olympia Health Care

Ranking Order	Annual Pay Scale
1. Office manager	\$43,000
2. Chief nurse	42,500
3. Bookkeeper	34,000
4. Nurse	32,500
5. Cook	31,000
6. Nurse's aide	28,500
7. Orderly	25,500

Table 11-3

Job Evaluation Methods: Job Classification

- *Raters categorize jobs into groups or classes of jobs that are of roughly the same value for pay purposes.*
 - Classes contain similar jobs.
 - Grades are jobs that are similar in difficulty but otherwise different.
 - Jobs are classed by the amount or level of compensable factors they contain.

Example of A Grade Level Definition

GRADE	NATURE OF ASSIGNMENT	LEVEL OF RESPONSIBILITY
GS-7	Performs specialized duties in a defined functional or program area involving a wide variety of problems or situations; develops information, identifies interrelationships, and takes actions consistent with objectives of the function or program served.	Work is assigned in terms of objectives, priorities, and deadlines; the employee works independently in resolving most conflicts; completed work is evaluated for conformance to policy; guidelines, such as regulations, precedent cases, and policy statements require considerable interpretation and adaptation.

This is a summary chart of the key grade level criteria for the GS-7 level of clerical and assistance work. Do not use this chart alone for classification purposes; additional grade level criteria are in the Web-based chart.

Job Evaluation Methods: Point Method

- *A quantitative technique that involves:*
 - Identifying the degree to which each compensable factors are present in the job.
 - Awarding points for each degree of each factor.
 - Calculating a total point value for the job by adding up the corresponding points for each factor.

Job Evaluation Methods: Factor Comparison

- *Each job is ranked several times—once for each of several compensable factors.*
- *The rankings for each job are combined into an overall numerical rating for the job.*

Computerized Job Evaluations

- *A computerized system that uses a structured questionnaire and statistical models to streamline the job evaluation process.*
 - Advantages of computer-aided job evaluation (CAJE)
 - Simplify job analysis
 - Help keep job descriptions up to date
 - Increase evaluation objectivity
 - Reduce the time spent in committee meetings
 - Ease the burden of system maintenance

Establishing Pay Rates (cont'd)

➤ *Step 3. Group Similar Jobs into Pay Grades*

- A pay grade is comprised of jobs of approximately equal difficulty or importance as established by job evaluation.
 - Point method: the pay grade consists of jobs falling within a range of points.
 - Ranking method: the grade consists of all jobs that fall within two or three ranks.
 - Classification method: automatically categorizes jobs into classes or grades.

Establishing Pay Rates (cont'd)

➤ *Step 4. Price Each Pay Grade*

— Wage Curve

- Shows the pay rates currently paid for jobs in each pay grade, relative to the points or rankings assigned to each job or grade by the job evaluation.
- Shows the relationships between the value of the job as determined by one of the job evaluation methods and the current average pay rates for your grades.

Plotting a Wage Curve

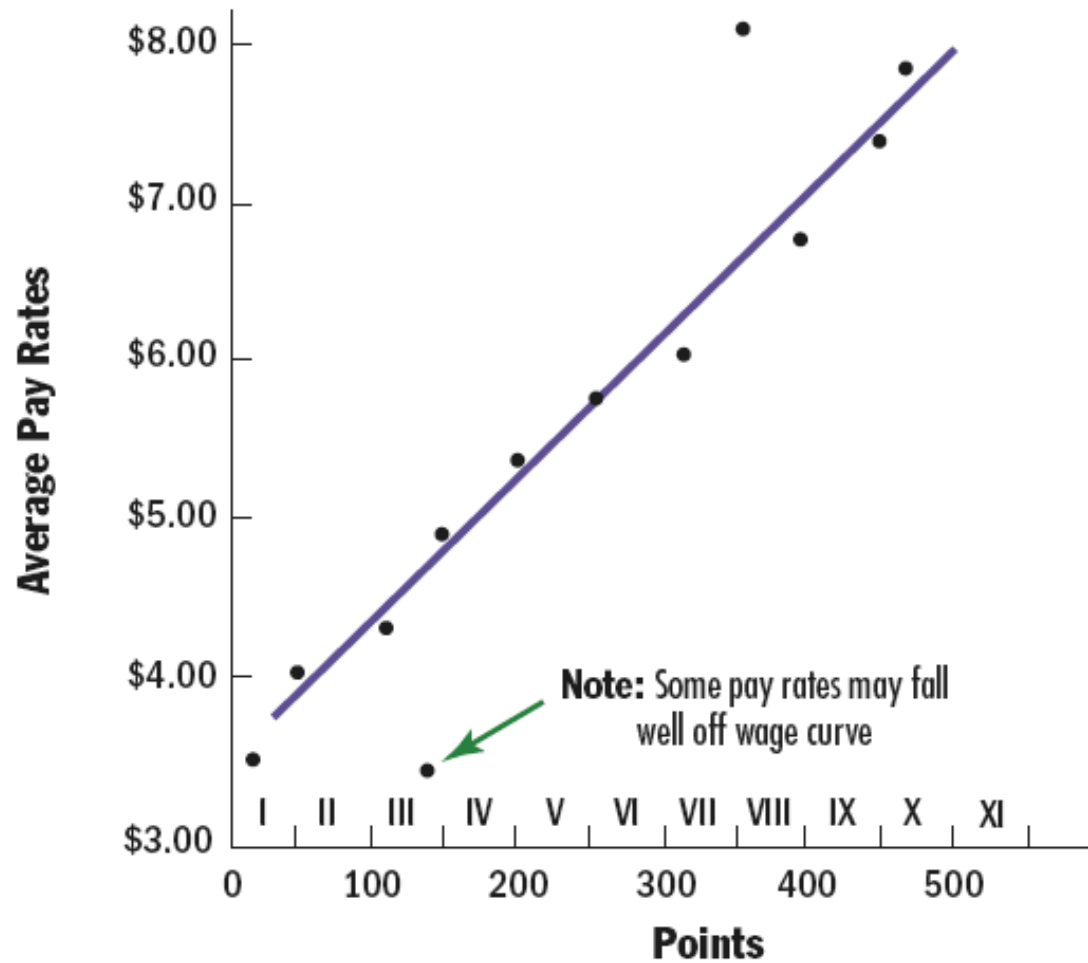


Figure 11-4

Establishing Pay Rates (cont'd)

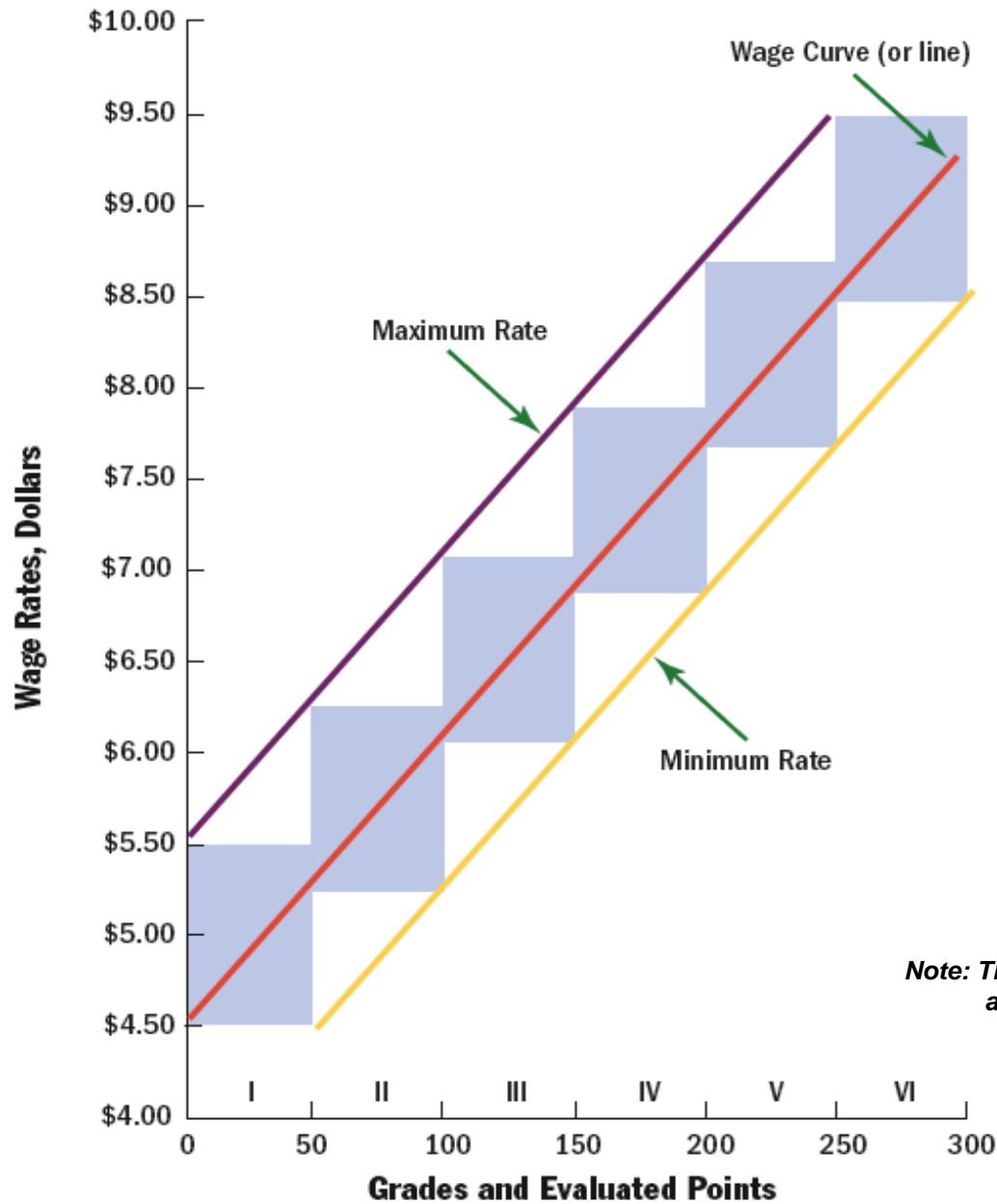
➤ *Step 5. Fine-tune pay rates*

— Developing pay ranges

- Flexibility in meeting external job market rates
- Easier for employees to move into higher pay grades
- Allows for rewarding performance differences and seniority

— Correcting out-of-line rates

- Raising underpaid jobs to the minimum of the rate range for their pay grade.
- Freezing rates or cutting pay rates for overpaid (“red circle”) jobs to maximum in the pay range for their pay grade.



Wage Structure

Note: This shows overlapping wage classes and maximum-minimum wage ranges.

Figure 11-5

Federal Government Pay Schedule: Grades GS-8–GS-10, New York, Northern New Jersey, Long Island, January 2000

Grade	<i>Annual Rates for Steps (in dollars)</i>									
	1	2	3	4	5	6	7	8	9	10
GS-8	32,859	33,954	35,049	36,145	37,140	38,335	39,430	40,525	41,620	42,715
GS-9	36,295	37,504	38,714	39,923	41,133	42,342	43,551	44,761	45,970	47,180
GS-10	39,969	41,302	42,635	43,967	45,300	46,633	47,966	49,298	50,631	51,964

Source: info@fedamerica.com.

Compensation Administration Checklist

	Yes	No
• Is your plan for salary administration in writing?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you have stated goals for your plan, such as:		
— Compliance with applicable law?	<input type="checkbox"/>	<input type="checkbox"/>
— Consistently rewarding performance?	<input type="checkbox"/>	<input type="checkbox"/>
— Attracting quality employees?	<input type="checkbox"/>	<input type="checkbox"/>
— Reducing turnover?	<input type="checkbox"/>	<input type="checkbox"/>
• Does your plan include the following topics?	<input type="checkbox"/>	<input type="checkbox"/>
— Annual wage and hour surveys?	<input type="checkbox"/>	<input type="checkbox"/>
— Explanations for salary schedules?	<input type="checkbox"/>	<input type="checkbox"/>
— Evaluations of job classifications?	<input type="checkbox"/>	<input type="checkbox"/>
— Premium, bonus, vacation pay?	<input type="checkbox"/>	<input type="checkbox"/>
— Paid medical leave, long-term disability?	<input type="checkbox"/>	<input type="checkbox"/>
— Temporary positions, part-time positions?	<input type="checkbox"/>	<input type="checkbox"/>
• Is there a written analysis for each job in your company?	<input type="checkbox"/>	<input type="checkbox"/>
• Does each analysis include a listing of the following job requirements?	<input type="checkbox"/>	<input type="checkbox"/>

— Knowledge/skills/experience/personal characteristics?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you periodically review and update each job description?	<input type="checkbox"/>	<input type="checkbox"/>
• Have you set salary ranges for each job category?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you provide regular, written performance evaluations for employees?	<input type="checkbox"/>	<input type="checkbox"/>
• Are the evaluations used to decide promotions and pay increases?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you communicate your job evaluation plan to your employees through:	<input type="checkbox"/>	<input type="checkbox"/>
— Orientation/supervisors?	<input type="checkbox"/>	<input type="checkbox"/>
— Bulletin boards/handbooks?	<input type="checkbox"/>	<input type="checkbox"/>
• Have you developed a written system of merit increases?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you have stated goals for the system, such as:	<input type="checkbox"/>	<input type="checkbox"/>
— Increase productivity/quality?	<input type="checkbox"/>	<input type="checkbox"/>
— Reduce errors/cost?	<input type="checkbox"/>	<input type="checkbox"/>
• Do you respond to suggestions from employees about your compensation plan?	<input type="checkbox"/>	<input type="checkbox"/>

A good compensation administration program is comprehensive and flexible and ensures optimum performance from employees at all levels. The following checklist may be used to evaluate a company's program. The more questions answered "yes," the more thorough has been the planning for compensation administration.

Pricing Managerial and Professional Jobs

➤ *Compensating managers*

- Base pay: fixed salary, guaranteed bonuses.
- Short-term incentives: cash or stock bonuses
- Long-term incentives: stock options
- Executive benefits and perks: retirement plans, life insurance, and health insurance without a deductible or coinsurance.

Pricing Managerial and Professional Jobs

➤ *What Really Determines Executive Pay?*

- CEO pay is set by the board of directors taking into account factors such as the business strategy, corporate trends, and where they want to be in a short and long term.
- Firms pay CEOs based on the complexity of the jobs they filled.
- Boards are reducing the relative importance of base salary while boosting the emphasis on performance-based pay.

Compensating Professional Employees

- *Employers can use job evaluation for professional jobs.*
- *Compensable factors focus on problem solving, creativity, job scope, and technical knowledge and expertise.*
- *Firms use the point method and factor comparison methods, although job classification seems most popular.*
- *Professional jobs are market-priced to establish the values for benchmark jobs.*

What Is Competency-based Pay?

➤ *Competency-based pay*

- Where the company pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title he or she holds.

➤ *Competencies*

- Demonstrable characteristics of a person, including knowledge, skills, and behaviors, that enable performance.

Why Use Competency-Based Pay?

- *Traditional pay plans may actually backfire if a high-performance work system is the goal.*
- *Paying for skills, knowledge, and competencies is more strategic.*
- *Measurable skills, knowledge, and competencies are the heart of any company's performance management process.*

Competency-Based Pay in Practice

- *Main components of skill/competency/knowledge-based pay programs:*
 - A system that defines specific skills, and a process for tying the person's pay to his or her skill
 - A training system that lets employees seek and acquire skills
 - A formal competency testing system
 - A work design that lets employees move among jobs to permit work assignment flexibility.

Competency-Based Pay: Pros and Cons

➤ *Pros*

- Higher quality
- Lower absenteeism and fewer accidents

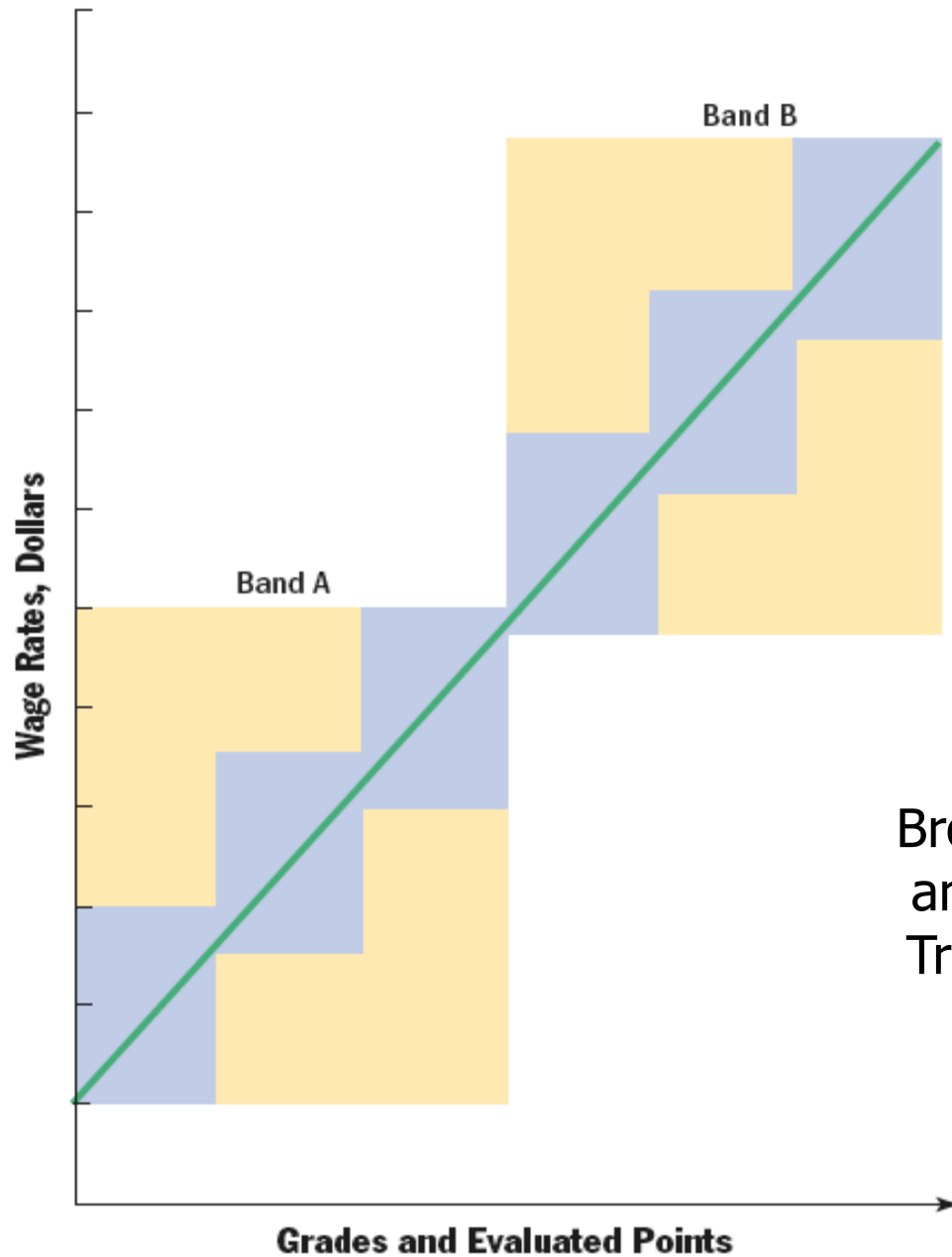
➤ *Cons*

- Pay program implementation problems
- Cost implications of paying for unused knowledge, skills and behaviors
- Complexity of program
- Uncertainty that the program improves productivity

Other Compensation Trends

➤ *Broadbanding*

- Consolidating salary grades and ranges into just a few wide levels or “bands,” each of which contains a relatively wide range of jobs and salary levels.
 - Wide bands provide for more flexibility in assigning workers to different job grades.
 - Lack of permanence in job responsibilities can be unsettling to new employees.



Broadbanded Structure
and How It Relates to
Traditional Pay Grades
and Ranges

Figure 11-7

Strategic Compensation

➤ *Strategic compensation*

- Using the compensation plan to support the company's strategic aims.
- Focuses employees' attention on the values of winning, execution, and speed, and on being better, faster, and more competitive..

➤ *IBM's strategic compensation plan:*

- The marketplace rules.
- Fewer jobs, evaluated differently, in broadbands.
- Managers manage.
- Big stakes for stakeholders.

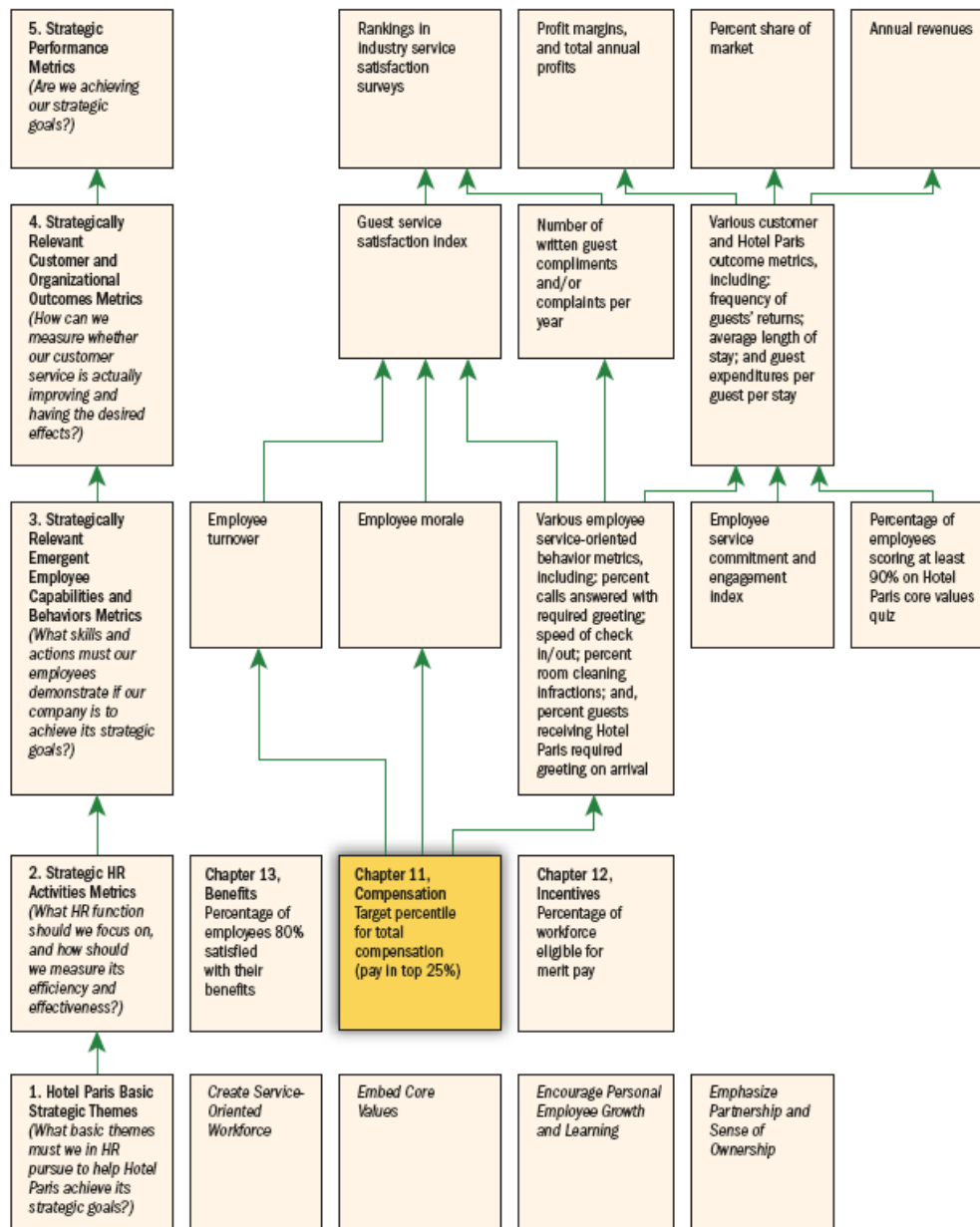
Comparable Worth

➤ *Comparable worth*

- Refers to the requirement to pay men and women equal wages for jobs that are of comparable (rather than strictly equal) value to the employer.
- Seeks to address the issue that women have jobs that are dissimilar to those of men and those jobs often consistently valued less than men's jobs.

Compensation and Women

- *Factors lowering the earnings of women:*
 - Women's starting salaries are traditionally lower.
 - Salary increases for women in professional jobs do not reflect their above-average performance.
 - In white-collar jobs, men change jobs more frequently, enabling them to be promoted to higher-level jobs over women with more seniority.
 - In blue-collar jobs, women tend to be placed in departments with lower-paying jobs.



HR Scorecard for Hotel Paris International Corporation*

*Note: *(An abbreviated example showing selected HR practices and outcomes aimed at implementing the competitive strategy, "To use superior guest services to differentiate the Hotel Paris properties and thus increase the length of stays and the return rate of guests and thus boost revenues and profitability")*

Figure 11–8

Key Terms

employee compensation

direct financial payments

indirect financial payments

Davis-Bacon Act (1931)

Walsh-Healey Public Contract Act (1936)

Title VII of the 1964 Civil Rights Act

Fair Labor Standards Act (1938)

Equal Pay Act (1963)

Employee Retirement Income

Security Act (ERISA)

salary compression

salary survey

benchmark job

job evaluation

compensable factor

ranking method

job classification (or grading)

method

classes

grades

grade definition

point method

factor comparison method

pay grade

wage curve

pay ranges

competency-based pay

competencies

broadbanding

comparable worth



human

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Chapter 11 Appendix

Part 4 Compensation

Quantitative Job Evaluation Methods

Quantitative Job Evaluation Methods

➤ *Factor Comparison Job Evaluation Method*

- Step 1. Obtain job information
- Step 2. Select key benchmark jobs
- Step 3. Rank key jobs by factor
- Step 4. Distribute wage rates by factors
- Step 5. Rank key jobs according to wages assigned to each factor
- Step 6. Compare the two sets of rankings to screen out unusable key jobs
- Step 7. Construct the job-comparison scale
- Step 8. Use the job-comparison scale

Sample Definitions of Factors Typically Used in the Factor Comparison Method

1. Mental Requirements

Either the possession of and/or the active application of the following:

- A. (inherent) Mental traits, such as intelligence, memory, reasoning, facility in verbal expression, ability to get along with people, and imagination.
- B. (acquired) General education, such as grammar and arithmetic; or general information as to sports, world events, etc.
- C. (acquired) Specialized knowledge such as chemistry, engineering, accounting, advertising, etc.

2. Skill

- A. (acquired) Facility in muscular coordination, as in operating machines, repetitive movements, careful coordinations, dexterity, assembling, sorting, etc.
- B. (acquired) Specific job knowledge necessary to the muscular coordination only; acquired by performance of the work and not to be confused with general education or specialized knowledge. It is very largely training in the interpretation of sensory impressions.

Examples

- 1. In operating an adding machine, the knowledge of *which* key to depress for a subtotal would be skill.
- 2. In automobile repair, the ability to determine the significance of a knock in the motor would be skill.
- 3. In hand-firing a boiler, the ability to determine from the appearance of the firebed how coal should be shoveled over the surface would be skill.

3. Physical Requirements

- A. Physical effort, such as sitting, standing, walking, climbing, pulling, lifting, etc.; both the amount exercised and the degree of the continuity should be taken into account.
- B. Physical status, such as age, height, weight, sex, strength, and eyesight.

Sample Definitions of Five Factors Typically Used in the Factor Comparison Method

4. Responsibilities

- A. For raw materials, processed materials, tools, equipment, and property.
- B. For money or negotiable securities.
- C. For profits or loss, savings or methods' improvement.
- D. For public contact.
- E. For records.
- F. For supervision.
 - 1. Primarily the complexity of supervision *given* to subordinates; the number of subordinates is a secondary feature. Planning, direction, coordination, instruction, control, and approval characterize this kind of supervision.
 - 2. Also, the degree of supervision *received*. If Jobs A and B gave no supervision to subordinates, but A received much closer immediate supervision than B, then B would be entitled to a higher rating than A in the supervision factor.

To summarize the four degrees of supervision:

Highest degree—gives much—gets little

High degree—gives much—gets much

Low degree—gives none—gets little

Lowest degree—gives none—gets much

5. Working Conditions

- A. Environmental influences such as atmosphere, ventilation, illumination, noise, congestion, fellow workers, etc.
- B. Hazards—from the work or its surroundings.
- C. Hours.

Source: Jay L. Otis and Richard H. Leukart, *Job Evaluation: A Basis for Sound Wage Administration*, p. 181. © 1954, revised 1983. Reprinted by permission of Prentice Hall, Upper Saddle River, NJ.

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Figure 11–A1 (cont'd)

Ranking Key Jobs by Factors¹

	Mental Requirements	Physical Requirements	Skill Requirements	Responsibility	Working Conditions
Welder	1	4	1	1	2
Crane operator	3	1	3	4	4
Punch press operator	2	3	2	2	3
Security guard	4	2	4	3	1

¹ 1 is high, 4 is low.

Table 11–A1

Ranking Key Jobs by Wage Rates¹

	Hourly Wage	Mental Requirements	Physical Requirements	Skill Requirements	Responsibility	Working Conditions
Welder	\$9.80	4.00(1)	0.40(4)	3.00(1)	2.00(1)	0.40(2)
Crane operator	5.60	1.40(3)	2.00(1)	1.80(3)	0.20(4)	0.20(4)
Punch press operator	6.00	1.60(2)	1.30(3)	2.00(2)	0.80(2)	0.30(3)
Security guard guard	4.00	1.20(4)	1.40(2)	0.40(4)	0.40(3)	0.60(1)

¹ 1 is high, 4 is low.

Figure 11–A2

Comparison of Factor and Wage Rankings

	Mental Requirements		Physical Requirements		Skill Requirements		Responsibility		Working Conditions	
	A ¹	\$ ²	A ¹	\$ ²	A ¹	\$ ²	A ¹	\$ ²	A ¹	\$ ²
Welder	1	1	4	4	1	1	1	1	2	2
Crane operator	3	3	1	1	3	3	4	4	4	4
Punch press operator	2	2	3	3	2	2	2	2	3	3
Security guard	4	4	2	2	4	4	3	3	1	1

¹Amount of each factor based on step 3.

²Ratings based on distribution of wages to each factor from step 4.

Figure 11–A3

Job (Factor)-Comparison Scale

	Mental Requirements	Physical Requirements	Skill Requirements	Responsibility	Working Conditions
.20				Crane Operator	Crane Operator
.30					Punch Press Operator
.40		Welder	Sec. Guard	Sec. Guard	Welder
.50					
.60					Sec. Guard
.70					
.80				Punch Press Operator	
.90					
1.00				(Plater)	
1.10					
1.20	Sec. Guard				
1.30		Punch Press Operator			
1.40	Crane Operator	Sec. Guard	(Inspector)	(Plater)	
1.50		(Inspector)			(Inspector)
1.60	Punch Press Operator				
1.70	(Plater)				
1.80			Crane Operator	(Inspector)	
1.90					
2.00		Crane Operator	Punch Press Operator	Welder	

Figure 11–A4

The Point Method of Job Evaluation

- Step 1. Determine clusters of jobs to be evaluated
- Step 2. Collect job information
- Step 3. Select compensable factors
- Step 4. Define compensable factors
- Step 5. Define factor degrees
- Step 6. Determine relative values of factors

Example of One Factor (Complexity/Problem Solving) in a Point Factor System

The mental capacity required to perform the given job as expressed in resourcefulness in dealing with unfamiliar problems, interpretation of data, initiation of new ideas, complex data analysis, creative or developmental work.

Level	Point Value	Description of Characteristics and Measures
0	0	Seldom confronts problems not covered by job routine or organizational policy; analysis of data is negligible. <i>Benchmark:</i> Telephone operator/receptionist.
1	40	Follows clearly prescribed standard practice and demonstrates straightforward application of readily understood rules and procedures. Analyzes noncomplicated data by established routine. <i>Benchmark:</i> Statistical clerk, billing clerk.
2	80	Frequently confronts problems not covered by job routine. Independent judgment exercised in making minor decisions where alternatives are limited and standard policies established. Analysis of standardized data for information of or use by others. <i>Benchmark:</i> Social worker, executive secretary.
3	120	Exercises independent judgment in making decisions involving nonroutine problems with general guidance only from higher supervision. Analyzes and evaluates data pertaining to nonroutine problems for solution in conjunction with others. <i>Benchmark:</i> Nurse, accountant, team leader.
4	160	Uses independent judgment in making decisions that are subject to review in the final stages only. Analyzes and solves nonroutine problems involving evaluation of a wide variety of data as a regular part of job duties. Makes decisions involving procedures. <i>Benchmark:</i> Associate director, business manager, park services director.
5	200	Uses independent judgment in making decisions that are not subject to review. Regularly exercises developmental or creative abilities in policy development. <i>Benchmark:</i> Executive director.

Source: Richard W. Beatty and James R. Beatty, "Job Evaluation," in Ronald A. Berk (ed.), *Performance Assessment: Methods and Applications* (Baltimore, MD: Johns Hopkins University Press, 1986), p. 322.

Evaluation Points Assigned to Factors and Degrees

	First-Degree Points	Second-Degree Points	Third-Degree Points	Fourth-Degree Points	Fifth-Degree Points
Decision making	41	82	123	164	204
Problem solving	35	70	105	140	174
Knowledge	24	48	72	96	123

Figure 11–A5