

Job Evaluation

A Step-by-Step Guide for Designing and Implementing the Point Factor Method

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Introduction

Job evaluation is *the* process of deciding on the comparative worth of jobs within an organization (Berrocal et al., 2018). Therefore, job evaluation is a starting point to designing a compensation system, focusing on internal equity when differentiating pay among employees. It is commonly accepted that jobs vary in terms of pay, reflecting—among other factors—the experience, skills, responsibility level, and impact of each job within the context of organizational performance. Job evaluation is the rational process to ensure that the differentiation in pay is fair, objective, transparent, and procedurally consistent, resulting in a hierarchy of jobs based on their importance and value added to the firm (Koziol and Mikos, 2020; Kutlu et al., 2013).

It is noteworthy that the process focuses on jobs and not individual employees (incumbents), where remuneration of several employees within the same job might vary within the pay range assigned for each job. In practice, there are four common methods for job evaluation that focus on internal equity. The first two, job ranking and job classification, are qualitative methods that highly depend on the judgment of decision-makers, while the second two, factor analysis and the point method, are quantitative methods that aim to minimize subjectivity through measurable standards in deciding on jobs' comparable worth (Berrocal et al., 2018). Note that other methods focus on external equity when deciding on pay, such as market pricing, where each job is priced relative to what it is paid in the labor market, based on pre-determined managerial criteria. That said, in practice, decision-makers consider both internal equity and external equity when evaluating jobs, and therefore, often take a hybrid approach.

In this article, we will focus on the point method, which is a quantitative method that assigns points for each job. Points are awarded based on predetermined weights and scales for several compensable factors, and the sum of the points for each job will result in its comparable worth. This method is the most common in the private and public sectors, and although it has been used since the early twentieth century, it has not changed significantly (Kilgour, 2008). Mainly, its wide adoption is due to its several benefits, including its high acceptability and perceived objectivity. This

paper aims to demonstrate how to design and implement the point method through a step-by-step process, which is summarized in Figure 1.

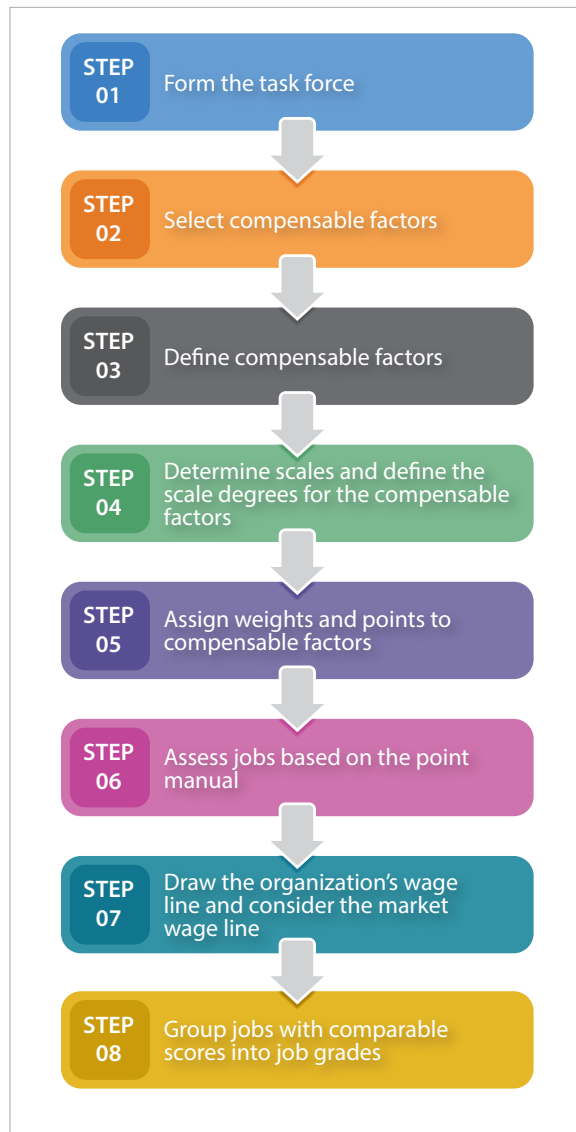


Figure 1: Point method step-by-step process.

Step 01: Form the Task Force

Like all methods, point factor job evaluation requires a task force to design the system. Particularly, its task is to define and apply criteria, which predetermine the job evaluation results (Berrocal et al., 2018; Kilgour, 2008). As will be demonstrated, the

process requires various decision-making and analytical procedures, and therefore the quality of the system is highly dependent on the competency of the team.

Typically, the team should include human resources (HR) professionals who are knowledgeable of compensation systems and job analysis. Moreover, managerial representation from various business units and functions will add a wider perspective, customized input, and better acceptability. Utilizing internal and external consultants is also common, and, depending on affordability, capability, and desirability, organizations might hire a consulting firm to lead the initiative.

We need to be aware of adding employee and union representatives. In some countries, unions have the right to be part of the team as it has a direct implication on pay. Adding employee representatives will increase perspective and acceptability. That said, including both will usually result in lengthening the process and adding complexities; thus, limiting their numbers in the task force is desirable (Kilgour, 2008). As practical advice, the more diverse the perspectives, the richer the input; however, complexity should be limited when possible to ensure team functionality.

Step 02: Select Compensable Factors

The initial task for the task force is to decide on the most important criteria that result in value to the organization, thus distinguishing factors vital for achieving organizational objectives. To be measurable for each occupation, the criteria should be generic, clearly identifiable, and common across jobs. Simply said, the compensable factors are the ones on which the company is willing to reward employees. Compensable factors are typically limited to four or five (a maximum of seven is advised), as having less will result in inaccuracy, and having more will result in excessive complexity. Sub-factors might be added to reflect the complex composite of each compensable factor. For the committee to decide on the most relevant factors, members are advised to start by reexamining the job analyses for all or a wide sample of occupations, in addition to checking the universal and industry-specific standards. Note that job analyses and job descriptions are required for various HR functions, so we assume that they exist, but if not, then this should be the second step in this process.

Organizations have a wide variety of compensable factors to choose from, therefore, it is useful to mention some common ones. For example, the U.S. Equal Employment Opportunity Commission (EEOC) and the International Labour Organization (ILO) state four generic factors to consider when deciding on fair pay: skill (qualifications), effort, responsibility, and working conditions (EEOC, 2021; ILO, 2008). Each of those factors can be composed of several sub-factors. For example, the effort factor could be composed of physical, mental, and emotional efforts (ILO, 2008). In their job evaluation method, Korn Ferry (2017) identifies three factors: accountability (sub-factors: freedom to act, nature of the impact, and magnitude/area of impact), know-how (sub-factors: practical/technical knowledge, managerial knowledge, and communication and influencing skills), and problem solving (sub-factors: thinking environment and thinking challenge). Figure 2 summarizes these factors and sub-factors. Other compensable factors might include the complexity of tasks, experience, education, supervision, confidentiality, the risk level of an error committed, impact on customer experience, autonomy, and so on.

Skills/Qualifications	Responsibility	Effort
<ul style="list-style-type: none"> ■ Work-related knowledge <ul style="list-style-type: none"> – Experience – Ability – Education – Training ■ Manual dexterity ■ Interpersonal skills 	<ul style="list-style-type: none"> ■ Accountability ■ Profitability ■ Financial soundness ■ Market coverage ■ Client health and safety 	<ul style="list-style-type: none"> ■ Physical ■ Mental ■ Emotional
		Working conditions
		<ul style="list-style-type: none"> ■ Physical environment, including hazards ■ Psychological environment
Accountability	Know-how	Problem-solving
<ul style="list-style-type: none"> ■ Freedom to act ■ Nature of the impact ■ Magnitude/area of impact 	<ul style="list-style-type: none"> ■ Practical/technical knowledge ■ Managerial knowledge ■ Communication and influencing skills 	<ul style="list-style-type: none"> ■ Thinking environment ■ Thinking challenge

Figure 2: Common compensable factors and sub-factors.

Note. Adapted from EEOC (2021), ILO (2008), and Korn Ferry Hay Group (2017).

Step 03: Define Compensable Factors

As you might notice, there are many compensable factors to choose from, and some might be correlated to each other. Therefore, it is vital to define each precisely, as the same term might differ in definition from one organization to another. Also, as much as possible, ensure that each factor is unique and does not overlap with another when articulating each definition. Identifying sub-factors for each factor will help in clarifying it and avoiding double measurements. Although not always possible, assigning a quantifiable measure ahead of time for each factor/sub-factor will help in the subsequent steps. Examples of quantifiable measures include years of experience, the number of employees supervised, years of education, and financial impact.

The skill category serves as a good example to clarify how to decide on the definition of compensable factors. Based on the Equal Employment Opportunity Commission, “skill” is the know-how and capacity required to do a particular job, which could be measured based on factors such as education, experience, ability, and training (EEOC, 2021). Korn Ferry (2017) defines “skill” as the know-how, inputs, and capacities needed for an occupant to perform competently. Others might include specific skills as sub-factors in the definition such as listing communication or specific mental, physical, and analytical skills. Therefore, for the skill factor, there are many definitions to devise, and the committee should decide on the best articulation

for its organization. For this paper, “skill” is defined as the level of education and experience needed to complete the job tasks proficiently. Notice here that the definition implies two sub-factors—education and experience—where both are easily quantifiable and thus measurable factors. Education can be defined as the number of years of formal education and experience as the number of years of relevant experience required by an occupant to perform the job proficiently (see Table 1).

Compensable Factor 01: Skill	Definition: The level of education and experience needed to complete the job's tasks proficiently.
Sub-factor 01: Education	Definition: Years of formal education that are required for an incumbent to perform the job proficiently.
1 st degree	Less than 12 years of formal education is required. Equivalent to less than a high school degree.
2 nd degree	A minimum of 12 years of formal education is required. Equivalent to a high school degree.
3 rd degree	A minimum of 14 years of formal education is required. Equivalent to an associate's degree.
4 th degree	A minimum of 16 years of formal education is required. Equivalent to a bachelor's degree.
5 th degree	A minimum of a post-graduate degree is required. Equivalent to a master's degree or relevant professional certification.
Notes	When applicable, vocation training and degrees count towards the years of education.
Sub-factor 02: Experience	Definition: Years of experience that are required for an incumbent to perform the job proficiently.
1 st degree	No previous experience is required.
2 nd degree	Less than 2 years of relevant experience is required.
3 rd degree	2 years or more and less than 4 years of relevant experience is required.
4 th degree	4 years or more and less than 6 years of relevant experience is required.
5 th degree	6 years or more of relevant experience is required.
Notes	Experience in previous jobs from different career paths but with transferrable skills might be counted towards the years of experience required.

Table 1: “Skill” scale manual.

Step 04: Determine Scales and Define the Scale Degrees for the Compensable Factors

After determining and defining the compensable factors (and their sub-factors), the task force needs to decide on the scale to measure them. Typically, a five-to-seven-point scale is used. Higher points scales might be used, but they add to the complexity, time, and effort needed to complete the process. Different points scales for each factor can be used, although for consistency, this is not a common practice unless some factors are measured with less or more quantifiable variation than other ones. The example in Step 5 utilizes the four basic compensable factors, each with two sub-factors for simplicity, and with a five-point scale to measure each. It discusses the example of “skill” with its definition, sub-factor definitions, and the five degree definitions. The scale manual should be constructed for each compensable factor.

Step 05: Assign Weights and Points to Compensable Factors

After finalizing the scale manual for each compensable factor, now the task force needs to generate the point manual for the compensable factors. First, they need to decide on the weight assigned for each compensable factor and its sub-factors. For example, skill is weighted at 35 percent of the total job worth, which includes education (15 percent) and experience (20 percent). A maximum of 1,000 points is assigned as possible job total points. Under the one-to-five point scale, the maximum value is assigned to the fifth degree for each sub-factor, and points for the first through fourth degrees are assigned usually at equal intervals. The maximum points for education is 150 (15 percent of 1,000) and for experience is 200 (20 percent of 1,000). Intervals between the consecutive degrees will be 30 points (150 divided by 5): The first degree is 30 points, the second degree is 60 points, the third degree is 90 points, the fourth degree is 120 points, and the fifth degree is 150 points. The committee might decide to have unequal intervals, which is acceptable as long as the fifth degree maintains the maximum points given to the sub-factor. For example, they might decide to give the first degree 10 points, the second degree 40 points, the third degree 70 points, and the fourth degree 120 points, and the fifth degree will maintain the maximum value, 150 points. Unequal intervals might be used when the increase from one degree to the consecutive degree is not equal in its contribution to the job worth. Table 2 presents a point manual for the four compensable factors mentioned above and their sub-factors, assuming equal intervals.

Step 06: Assess Jobs Based on the Point Manual

After defining the compensable factors and their sub-factors, and deciding on their weights and points, the next step is to assess the worth of each job. Depending on the size of the organization, the task force might decide to assess all jobs (if the organization is small), or it might assess only benchmark jobs. When the organization is large, usually the number of occupations is high, which makes it complex for the task force to assess all jobs. Therefore, the task force will decide on certain occupations to act as benchmark jobs. After assessing those, the team will place each of the remaining jobs in the same salary grade as a similar benchmark job.

Compensable Factor	Compensable Sub-factor	Weight	1	2	3	4	5
Skill	Education	15%	30	60	90	120	150
	Experience	20%	40	80	120	160	200
Effort	Mental	20%	40	80	120	160	200
	Physical	5%	10	20	30	40	50
Responsibility	Supervision	15%	30	60	90	120	150
	Financial	15%	30	60	90	120	150
Working Conditions	Environment	5%	10	20	30	40	50
	Hazards	5%	10	20	30	40	50

Table 2: Point manual for four compensable factors.

To decide on benchmark jobs, the following criteria are representative of the best practice. First, the job occupations selected should cover a wide range of job levels. Second, it is highly preferable to choose jobs that are well recognized and clearly defined, which makes the assessment process from the committee accurate and relatively less complex. Third, the best benchmark jobs are the ones where the tasks are clear and stable (i.e., do not frequently and significantly change over time). Fourth, for later purposes, it is best to choose jobs that are also similar to the ones available in the labor market, and especially within the major competitors' occupations. Finally, the task force is highly encouraged to select jobs that are perceived to be compensated fairly and competitively. Here, both external and internal perceptions of fairness are optimal to account for. Table 3 presents an assessment of fifteen benchmark jobs from the hotel industry, based on the point manual presented in Table 2.

Step 07: Draw the Organization's Wage Line and Consider the Market Wage Line

After assigning the points for each benchmark job, the task force needs to calculate the current average salary for each. At this point, it is highly recommended to conduct an audit of the compensation offered for the benchmark jobs in the market. Particularly, the organization should focus on the salaries offered by their direct competitors within their strategic group. Table 4 provides the benchmark jobs' total points and their average salaries in the organization and the relevant market.

		Skill		Effort		Responsibility		Conditions		Points
Function	Occupation	Education	Experience	Mental	Physical	Supervision	Financial	Environment	Hazards	Total
General Management	General Manager	150	200	200	20	150	150	20	20	910
	Shift Manager	120	160	200	20	120	120	20	20	780
	Marketing Manager	120	200	160	20	60	120	20	20	720
	Accounting Manager	120	160	160	10	60	120	10	10	650
Front Desk	Front Desk Manager	90	160	160	30	120	90	20	20	690
	Front Desk Supervisor	60	120	120	30	90	60	20	20	520
	Front Desk Associate	60	40	80	30	30	60	20	20	340
House-keeping	Housekeeping Manager	90	160	120	30	150	60	40	30	680
	Housekeeping Supervisor	60	80	80	30	120	60	40	40	510
	Housekeeping Associate	30	40	40	50	30	30	30	40	290
	Maintenance Supervisor	60	120	120	30	90	30	40	30	520
	Maintenance Associate	60	80	80	40	30	30	40	30	390
Kitchen	Executive Chef	60	160	160	40	120	90	50	50	730
	Sous Chef	60	120	120	50	120	30	50	50	600
	Cook	60	40	80	50	30	30	50	50	390

Table 3: Points calculation of 15 benchmark jobs from the hotel industry.

Occupation	Points	Organization Wage	Market Wage
General Manager	910	\$95,000	\$98,000
Shift Manager	780	\$80,000	\$81,000
Marketing Manager	720	\$75,000	\$75,000
Accounting Manager	650	\$70,000	\$68,000
Front Desk Manager	690	\$65,000	\$64,000
Front Desk Supervisor	520	\$45,000	\$46,000
Front Desk Associate	340	\$32,000	\$37,000
Housekeeping Manager	680	\$55,000	\$57,000
Housekeeping Supervisor	510	\$45,000	\$46,000
Housekeeping Associate	290	\$26,000	\$27,000
Maintenance Supervisor	520	\$45,000	\$44,000
Maintenance Associate	390	\$35,000	\$38,000
Executive Chef	730	\$65,000	\$68,000
Sous Chef	600	\$55,000	\$58,000
Cook	390	\$35,000	\$33,000
Average \$/Point		\$94.38	\$96.33

Table 4: Benchmark jobs' points, average organization wage, and average market wage.

Note that after collecting the market data, some jobs in the organization might appear to be significantly underpaid or overpaid compared to the market. Such benchmark jobs might be considered for reevaluation. To visualize the trend, it is useful to generate a scatterplot graph and to draw the regression line of the organization wage and the market wage, as demonstrated in Figures 2 and 3. At this point, the organization might consider adjusting the organization wage line relative to the market wage line. Based on the compensation philosophy and targeted talent quality, the organization might consider the following options:

1. Keep the organization curve as it is.
2. Match the market curve.
3. Shift the organization curve above the market curve by a certain percentage.
4. Shift the organization curve below the market curve by a certain percentage.

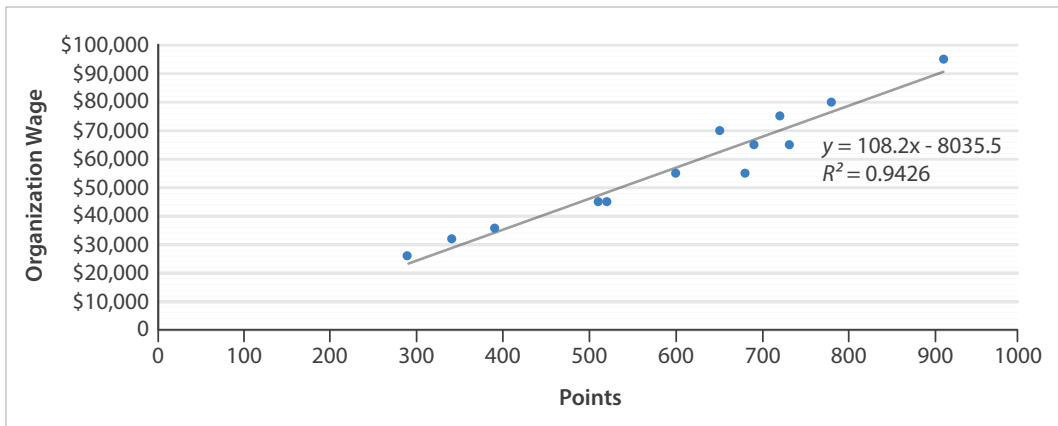


Figure 3: Organization wage scatter graph and regression line.

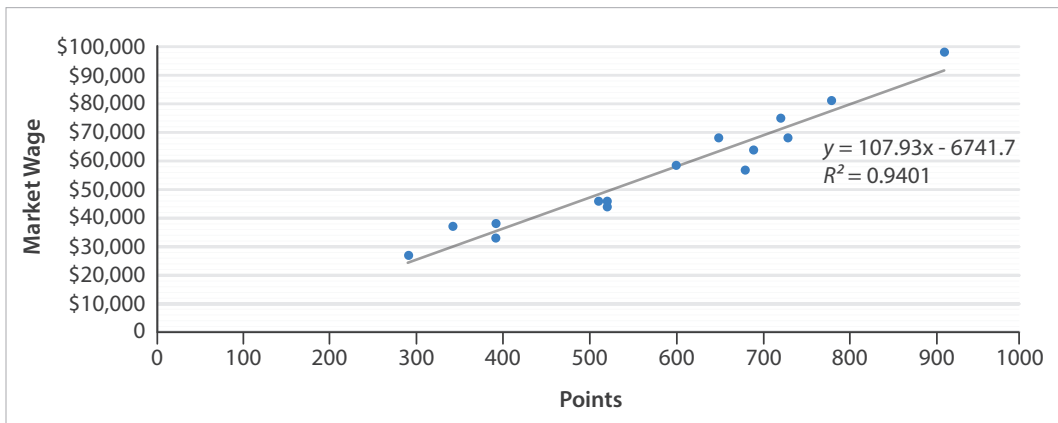


Figure 4: Market wage scatter graph and regression line.

Step 08: Group Jobs with Comparable Scores into Job Grades

After applying the point manual, the task force decides on the pay grades based on a predefined point range. Considering the previous example in Table 2, the minimum number of possible points to assign for a job is 200 and the maximum is 1,000. The committee might decide to have eight pay grades, where each consists of a range of 100 points. Also, let us assume that the committee decided to keep the current company wage line to minimize disturbance. Each point on average is equal to \$94.38 (see Table 4), and the committee decided to round it up to \$95.

Table 5 lists the grades and their point range, minimum wage value, maximum wage value, and range of wages. The maximum wage value might be increased to have an overlap of pay between grades, which is a common and good practice. The overlap helps in postponing the promotion of an employee, while still being able to

Grade	Point Range	Min	Max	Max+10%	Range	Overlap
1	201–300	\$19,095	\$28,500	\$31,350	\$12,255	\$2,850
2	301–400	\$28,595	\$38,000	\$41,800	\$13,205	\$3,800
3	401–500	\$38,095	\$47,500	\$52,250	\$14,155	\$4,750
4	501–600	\$47,595	\$57,000	\$62,700	\$15,105	\$5,700
5	601–700	\$57,095	\$66,500	\$73,150	\$16,055	\$6,650
6	701–800	\$66,595	\$76,000	\$83,600	\$17,005	\$7,600
7	801–900	\$76,095	\$85,500	\$94,050	\$17,955	\$8,550
8	901–1000	\$85,595	\$95,000	\$104,500	\$18,905	\$9,500

Table 5: Pay grades' wage minimum, maximum, range, and overlap.

increase their wage. Moreover, the overlap will minimize the number of jobs that might be overpaid based on the newly formulated grades. The overlap is decided to be an addition of 10 percent to the maximum wage value, and thus the range is now calculated by subtracting the minimum from the maximum plus 10 percent of the wage dollar value. The overlap dollar value is calculated by subtracting the maximum from the maximum plus 10 percent. Both the overlap and maximum plus 10 percent are also included in Table 5.

Figure 5 demonstrates the range of the eight pay grades with their overlap. Note that organizations might use broadbanding, where the number of pay grades is decreased and their pay ranges are increased. This allows for more flexibility in wages, the ability to maintain flatter organizations and minimal promotions, and for retaining qualified employees within their occupation, especially when they are distinguished performers. Broadbanding is common in knowledge-intensive organizations, where knowledge work and workers dominate the job occupations. At this point, the committee will place the non-benchmark jobs in the grades, each in the same grade where a similar benchmark job is placed.

After placing all jobs in their grades, a few employees might be paid currently above the maximum of the grade or below the minimum of the grade. If paid below the grade minimum (referred to as green-circled jobs), the most practical solution is to apply a salary increase. Other solutions are to keep the salary unchanged, which is unfavorable, or reevaluate and reclassify the employees' jobs. If paid above the maximum (referred to as red-circled jobs), the most practical solution is to freeze the salary until it catches up and fits within the range of the grade. Other solutions are to reduce the salary, which is unfavorable, promote the employees, or reevaluate and reclassify the employees' jobs.

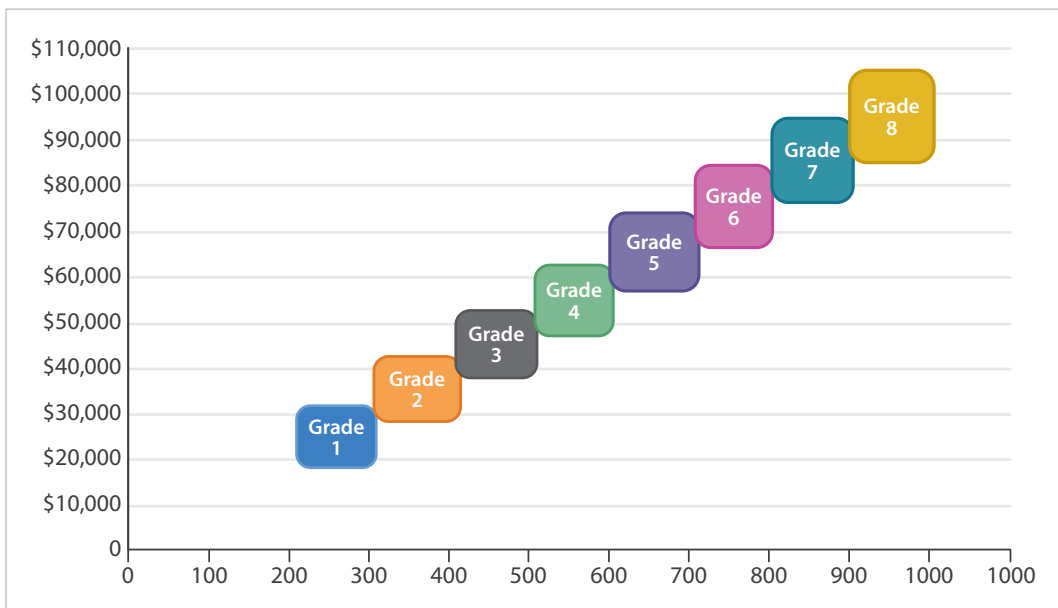


Figure 5: Organization wage grades.

Point Method Strengths and Limitations

The point method's major strength is its limited subjectivity in comparison to other methods that focus on internal equity. It is also considered comprehensive, systematic, and well detailed, resulting in higher acceptability among employees. It is highly recommended to publish the point manual to increase transparency and acceptability. Due to the selection of compensable factors that are common across jobs, it can be used for many jobs and even applied to newly created jobs. When it comes to the point manual, it needs to be updated less frequently than salary values, thus saving time when major salary changes are needed.

That said, the method is complex and comparatively requires more time and effort than other methods. Its complexity also might not be well understood by some employees. When it comes to measuring compensable factors, it is not always possible to depend on quantifiable measurements, which might increase reliance on human judgment, resulting in various measurement errors and biases. Although the method sounds objective and scientific, it is useful to remember that it still requires many discretionary decisions in the process, so its quality is highly dependent on the quality, effectiveness, and goodwill of the task force (Kilgour, 2008; Koziol and Mikos, 2020).

Final Thoughts and Conclusion

Although introduced in the early twentieth century, the point method is still widely used due to its effectiveness, with some updates. Depending on the organizational complexity, the method could be applied once to all jobs or each family of jobs

within an organization. Job families are occupations with interrelated tasks, share common knowledge and skills, and usually fit within the same function. Thus, comparing jobs within the same family is easier and more accurate than comparing jobs that are weakly related and significantly different in requirements. It is also vital to revisit the method when job analyses and descriptions are changed, which is more frequent nowadays due to job restructuring and technological changes. When it comes to utilizing the point manual to assess the worth of jobs, this can be done by secondary task forces. If this is the case, then they need to be trained on how to use the point manual to achieve consistent results.

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