Job Evaluation Tools & Salary Grading Methods

Understanding job evaluation and salary grading is essential for building a fair and consistent compensation structure. Job evaluation helps to measure the value of each job, while salary grading organizes jobs into levels or bands with clear salary ranges.

1. Job Evaluation Tools

Job evaluation is the process of analyzing and comparing jobs to determine their relative worth within an organization. It always comes first before building a salary structure.

Main Job Evaluation Methods:

1. Ranking Method:
- Simple method where jobs are ranked from highest to lowest value.
- Easy but not very accurate. Best for small companies.

2. Classification Method:
- Jobs are grouped into pre-defined grades or categories.
- Useful for government and public sector jobs.

3. Factor Comparison:
- Jobs are compared based on selected factors like skills, effort, responsibility.
- More complex and requires expert analysis.

4. Point Factor Method:
- The most structured and widely used method.
- Points are assigned to different job factors like education, experience, communication, decision-making, work conditions, etc.
- Total points decide the job's relative value.

Popular Evaluation Frameworks:

• Mercer IPE (International Position Evaluation):
  - Focuses on impact, communication, innovation, knowledge, and risk.
  - Suitable for global organizations.

• Hay Group Method:
  - Evaluates jobs based on knowledge, problem solving, and accountability.

• Towers Watson GGS:
  - Uses global standards to assign job levels based on required skills and responsibilities.

2. Salary Grading Methods

Once jobs are evaluated, the next step is to group them into salary grades or bands. This ensures fair and consistent pay across the company.

Common Grading Structures:

1. Traditional Grades:
- Jobs are assigned to grades (e.g., Grade 1 to Grade 10).
- Each grade has a salary range.
- Simple and commonly used.

2. Broadbanding:
- Combines multiple grades into wider bands.
- Offers more flexibility in promotions and salary increases.
- Suitable for modern, flat organizations.

3. Market-Based Pay Structure:
- Salary grades are aligned with market data.
- Great for competitive industries like tech.

4. Point-Based Grading:
- Job evaluation points are converted into grades.
- For example, jobs with 300–350 points = Grade 5.

When to Use Each Method?

- If you're starting from scratch: Use Point Factor + Traditional Grades.
- For public organizations: Classification or Hay Method.
- For startups or agile companies: Broadbanding or Market-Based.
- For fair pay + market alignment: Job Evaluation + Salary Survey.

Key Takeaways

1. Always start with clear job descriptions.
2. Choose the evaluation method that fits your company's size and culture.
3. Build a transparent and flexible grading system.
4. Review and update your salary structure regularly.