

Job based pay and wage differential

Module 4_Session 5

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Content to be covered

- Job Evaluation
- Feature of JE
- Process of JE
- **Job Based Pay**
- **Skill Based Pay**
- **Wage differential**

Job Evaluation

- ❖ Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organisation.
- we gather data for job evaluation through Job analysis --- is a systematic way of gathering information about a job.
- ❖ Find the relative worth of a job.
- ❖ Determine wage rates for different jobs.
- ❖ Shows how much a job is worth.

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Features of Job Evaluation

- ❑ It tries to assess jobs, not people.
- ❑ The standards of job evaluation are relative, not absolute.
- ❑ The basic information on which job evaluations are made is obtained from job analysis.
- ❑ Job evaluations are carried out for group of jobs, not for individuals.
- ❑ Some degree of subjectivity is always present in job evaluation.
- ❑ Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.

Process of Job Evaluation

1. **Gaining acceptance** – before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation programme.
2. **Creating job evaluation committee** – it is not possible for a single person to evaluate all the key jobs in an organization. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.
3. **Finding the jobs to be evaluated** --- every job need not to be evaluated. This may be too taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.
4. **Analyzing and preparing job description** --- this requires the preparation of a job description and also an analysis of job needs for successful performance.

5. **Selecting the method of evaluation** --- the most important method of evaluating the jobs must be identified now, keeping the job factors as well as organizational demands in mind.
6. **Classifying jobs** --- the relative worth of various jobs in an organization may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then converted into monetary values.
7. **Installing the programme** --- once the evaluation process is and a plan of action is ready, management must explain it to employees and put it into operation.
8. **Reviewing periodically** --- in the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways, after computerization. New job descriptions need to be written and the skill needs of new jobs to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors --- based on which their pay has been determined – have not been evaluated properly.

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Job-based Pay

- Most traditional organizations – even today – decide the minimum and maximum values of each job independently of individual workers (who are placed in between these two extremes), ignoring their abilities, potential and the ability to take up multiple jobs.
- Such job-based pay systems may, in the end, compel capable workers to leave the company in frustration.
- To avoid such unfortunate situations, knowledge-based pay systems have been followed increasingly in modern organizations.

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Skill-based Pay

- Skill-based pay is a reward plan that pays employees on the basis of their work-related skills that they possess.
- The employee in question would receive the same pay regardless of the different types of jobs that he may have handled during a particular period.
- The message here is fairly simple and direct: you acquire more skills and get rewarded accordingly.
- Companies like 3M, Motorola, GE, HP have always put the skill based pay plans in place so as to motivate their employees to acquire skills that help the employees to remain relevant and useful in a rapidly changing technological world.

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Wage Differentials

- Differentials in wages for jobs are inevitable in any industry. The reasons are not far to seek.
- Reasons for Wage Differentials are:

Wage Differentials	Reasons
Inter-personal differentials	Differentials in gender, skills, age, knowledge, experience.
Inter- Occupational differentials	Varying requirements of skill, knowledge, demand-supply situation
Inter – area differentials	Cost of living, ability of employers to pay, demand and supply situation, extent of unionisation
Inter – firm differentials	Ability of employer to pay, employee's bargaining power, degree of unionisation, skill needs, etc.

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