

Job Evaluation and Market-Pricing Practices

A Survey Brief by WorldatWork
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research



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Introduction and Methodology

This report summarizes the findings from a WorldatWork survey on job evaluation prevalence and market-pricing practices. WorldatWork sought to explore the trends in job evaluation methods, both internal and external, and to provide useful information about the most common market-pricing practices in use today.

In October 2008, surveys were electronically sent to a random representative sample of 7,733 WorldatWork members. A total of 1,149 members participated in this survey during a two-week period, generating a 15-percent response rate. Ninety-seven percent has headquarters in North America and 1.4 percent has headquarters in Western Europe.

The demographic profile of survey respondents is representative of and similar to that of the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. Ninety-five percent of the Fortune 1,000 companies have at least one employee who is a member of WorldatWork. More detail regarding respondent demographics can be found in the Demographics section at the end of this report. (See Figures 13-15.)

Summary of Key Findings

Snapshot

This survey reveals trends that are not surprising, considering the ongoing war for talent. Most organizations have a compensation philosophy, either written or unwritten, that drives the following practices:

1. Job worth is typically determined by the competing labor market; market pricing is the most prevalent job evaluation method
2. At least two survey sources are used to evaluate each job
3. The definition of labor market is specific to job type. The higher the position, the more broad the labor market (i.e. national data used for senior management but local and/or industry-specific data used for production levels jobs)
4. Most organizations desire to compete at or above the market – 40th to 60th percentile and 60th to 75th percentiles are most common competitive positions.

Compensation Philosophy

- More than 90 percent of organizations have some form of compensation philosophy in place. Sixty-three percent have documented their philosophy and 29 percent have an unwritten compensation philosophy. (See Figure 1.)

Job Documentation

- Approximately 60 percent of responding organizations have up-to-date documentation for most or nearly all jobs. However, the remaining organizations report that less than 60 percent of their jobs are documented and current. (See Figure 2.)
- Findings also reveal that the job documentation schedule is likely a key factor in the number of jobs that are documented and current. Only 8 percent of responding organizations update job descriptions on a set schedule (either annually or biannually), and nearly 80 percent update only when the job has significantly changed or when the job is officially evaluated. HR and compensation departments clearly have an opportunity to make job documentation practices more regular and proactive. (See Figure 3.)

Job Evaluation

- For all job types there is an overwhelming prevalence in the use of market pricing (ranging between 67 percent and 75 percent), which is not surprising. (See Figure 4.) Over the last few decades, market pricing has become the primary job evaluation method in most organizations, likely because of increased competition in the labor market. Employers are more likely to look at the external value of a job before considering the internal job worth. The 2003 *Compensation Policies and Practices Survey* from WorldatWork also noted this trend, with 59 percent of respondents indicating that job evaluation begins with market pricing.

- The evaluation process for jobs below senior management is typically conducted by a compensation analyst (54 percent to 68 percent, depending on the specific type of job) or by the compensation manager (24 percent to 36 percent). But the compensation manager most often conducts the review of senior management positions (45 percent). (See Figure 5.)
- Most compensation departments are reactive with the job evaluation process, as is the case with the job documentation process. Most organizations conduct job evaluations for newly created jobs when there is a significant job change and when a special request is made. The more proactive triggers (broad-based review and fixed schedule) are much less common. (See Figure 6.)

When comparing these findings with the job documentation frequency data in Figure 3, it is surprising that the job evaluation process is so commonly triggered by special requests (ranging from 65 percent for senior managers to 80 percent for the professional level). One could expect there to be a higher incidence of up-to-date job documentation.

- When asked to rate how effective the primary job evaluation method is in carrying out the compensation philosophy or purpose of the method, nearly half of respondents indicate it is very effective for all types of positions. Only 5 percent to 7 percent, depending on level of job, said that the job evaluation method is not effective. (See Figure 7.)

Market Pricing

- There is a correlation between survey sources and labor pools. Eight out of 10 organizations (82 percent) use national survey data to price senior management positions. This number steadily decreases as the scope and responsibility of the positions decrease; only 33 percent of organizations use national level data for production jobs. The inverse is true when looking at local survey sources; 61 percent of respondents use local survey sources for production jobs, whereas only 13 percent use local data for senior management. (See Figure 8.) This is reflective of the labor markets from which employers can draw talent.
- In most cases, respondents were comfortable that the survey jobs used were at least 60 percent reflective of the jobs within their organization, and more than a third indicated at least an 80-percent match for separate senior management, sales, administrative and production jobs. (See Figure 9.)
- Eighty percent to 90 percent of responding organizations use at least two survey sources to price jobs against the market. (See Figure 10.)
- Most organizations aim to compete against the labor market at the 40th to 60th percentile for base salary as well as total cash. (See Figures 11 and 12.)

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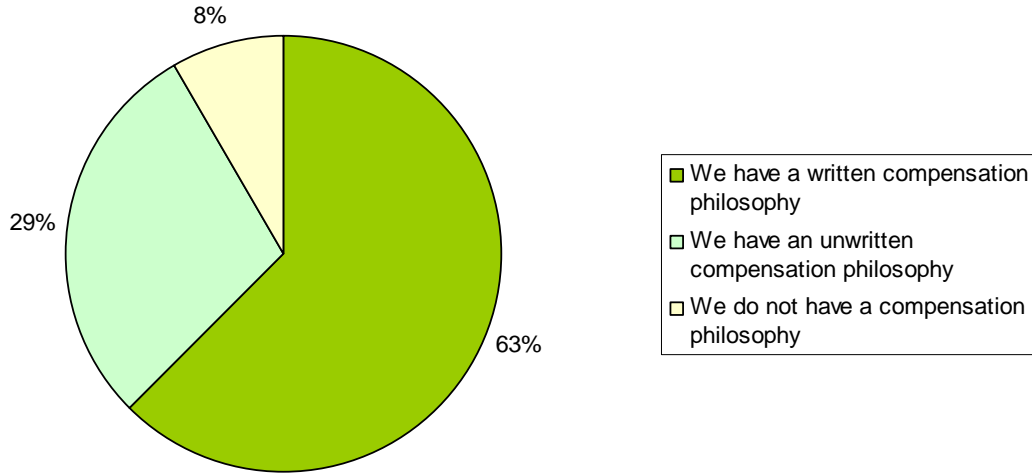
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Detailed Survey Results

Compensation Philosophy

Figure 1: Compensation Philosophy

Does your company have a compensation philosophy that communicates what type of job-evaluation method will be used for employees? (n=1,126)



Job Documentation

Figure 2: Updated Job Descriptions

How many jobs in your organization have up-to-date position, job or role descriptions in place? (n=1,131)

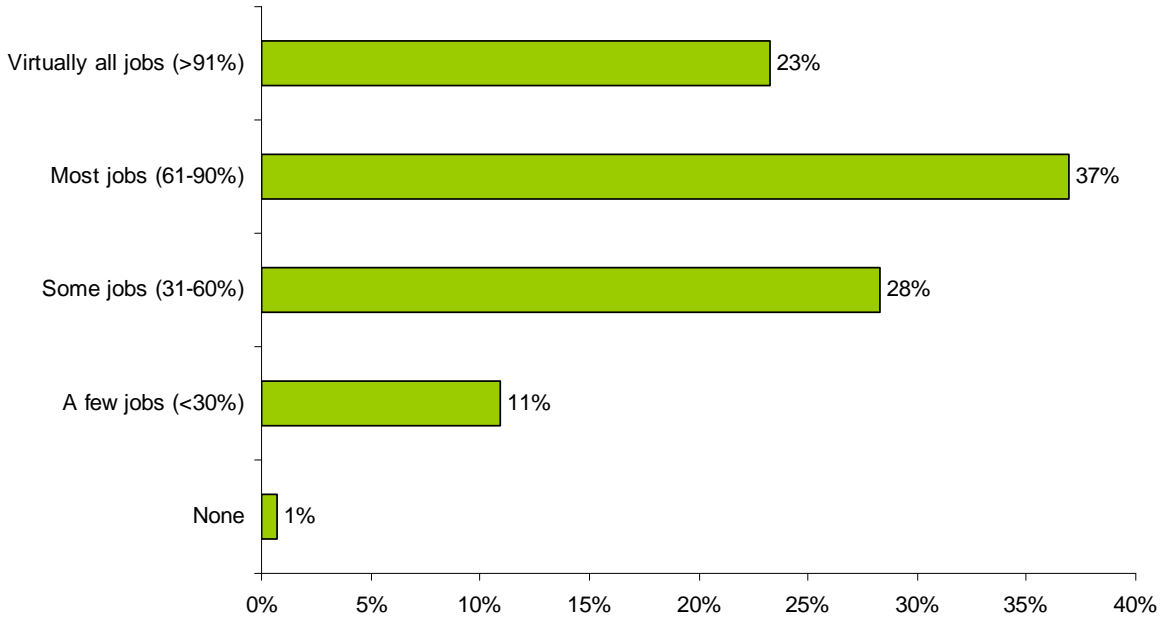
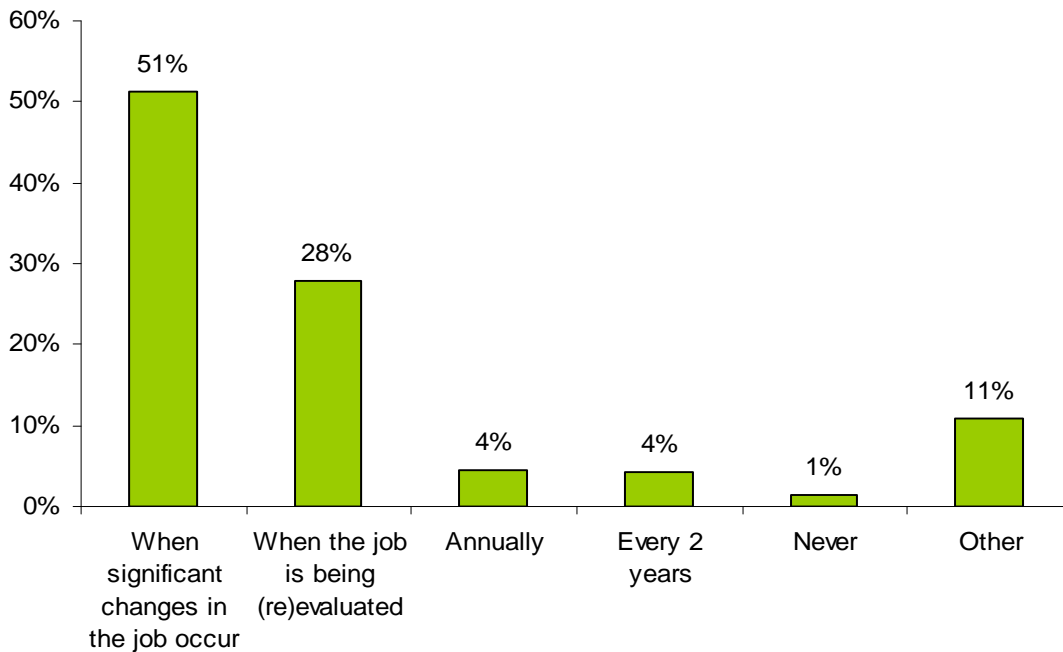


Figure 3: Frequency of Updates

How often are the position, job or role descriptions updated? (n=1,130)



Job Evaluation

Figure 4: Primary Job Evaluation Method

What is the primary method of job evaluation used by your organization?

	Ranking	Paired-comparison	Point-factor	Job component	Market pricing
Senior Management (n=1,112)	4%	2%	14%	6%	75%
Middle Management (n=1,120)	3%	2%	18%	7%	70%
Professional (n=1,119)	3%	2%	18%	8%	69%
Sales (n=947)	2%	2%	16%	7%	72%
Administrative (n=1,116)	3%	2%	19%	9%	67%
Production (n=910)	4%	2%	17%	10%	68%

Figure 5: Who Evaluates the Job?

For each type of job listed below, please indicate the person who typically conducts the evaluation.

	Compensation analyst	Employee committee	Compensation manager	Consultant	Senior management
Senior Management (n=1,112)	22%	3%	45%	16%	13%
Middle Management (n=1,119)	54%	4%	36%	3%	2%
Professional (n=1,117)	64%	4%	27%	3%	2%
Sales (n=955)	61%	4%	29%	4%	3%
Administrative (n=1,116)	68%	4%	24%	3%	2%
Production (n=911)	67%	5%	24%	3%	2%

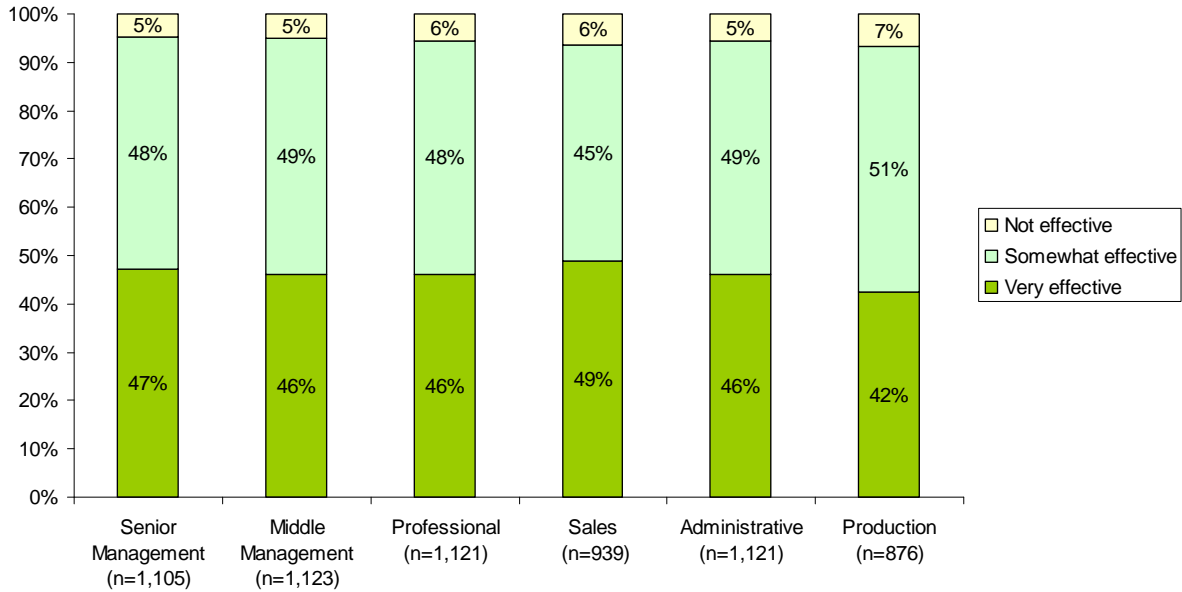
Figure 6: Job Evaluation Trigger

What typically prompts the evaluation of a job?

	Newly created job	Broad-based review of department/unit /organization as a whole	By request (e.g. perceived inequity by manager, etc.)	Significant change in job (e.g. job responsibilities evolve)	Fixed schedule	Other
Senior Management (n=1,108)	86%	43%	65%	76%	13%	4%
Middle Management (n=1,126)	85%	47%	79%	82%	10%	4%
Professional (n=1,121)	85%	49%	80%	82%	11%	3%
Sales (n=922)	82%	45%	73%	76%	10%	4%
Administrative (n=1,114)	83%	46%	77%	79%	11%	4%
Production (n=869)	80%	46%	71%	75%	11%	4%

Figure 7: Job Evaluation Plan Effectiveness

In your opinion, how effective is your organization's primary job-evaluation plan in carrying out the compensation philosophy and/or the purpose of your job evaluation method? For example, who conducts the evaluation and what is the timing of the evaluations for each job type?



Market Pricing

Figure 8: Salary Data Cuts for Job Evaluation

What salary survey data cuts do you typically use to evaluate jobs relative to your competitive labor market?

	National	Industry	Regional	State	Local	Other
Senior Management (n=1,034)	82%	72%	22%	11%	13%	13%
Middle Management (n=1,040)	67%	72%	37%	20%	22%	10%
Professional (n=1,040)	56%	69%	40%	26%	32%	9%
Sales (n=850)	59%	68%	32%	17%	25%	10%
Administrative (n=1,036)	36%	43%	28%	28%	61%	7%
Production (n=808)	33%	48%	27%	27%	61%	8%

Figure 9: Jobs Matched to Survey Model Jobs

What percent of jobs (not incumbents) in your organization are directly matched to survey model jobs?

	<20%	20%-39%	40%-59%	60%-79%	80%+
Senior Management (n=1,013)	6%	9%	17%	27%	42%
Middle Management (n=1,030)	5%	9%	25%	34%	28%
Professional (n=1,027)	4%	8%	26%	33%	30%
Sales (n=850)	7%	10%	23%	27%	32%
Administrative (n=1,025)	5%	7%	21%	29%	38%
Production (n=793)	8%	10%	22%	27%	34%

Figure 10: Amount of Surveys used for Market Pricing

How many surveys does your organization typically use for each job when conducting a market-pricing analysis?

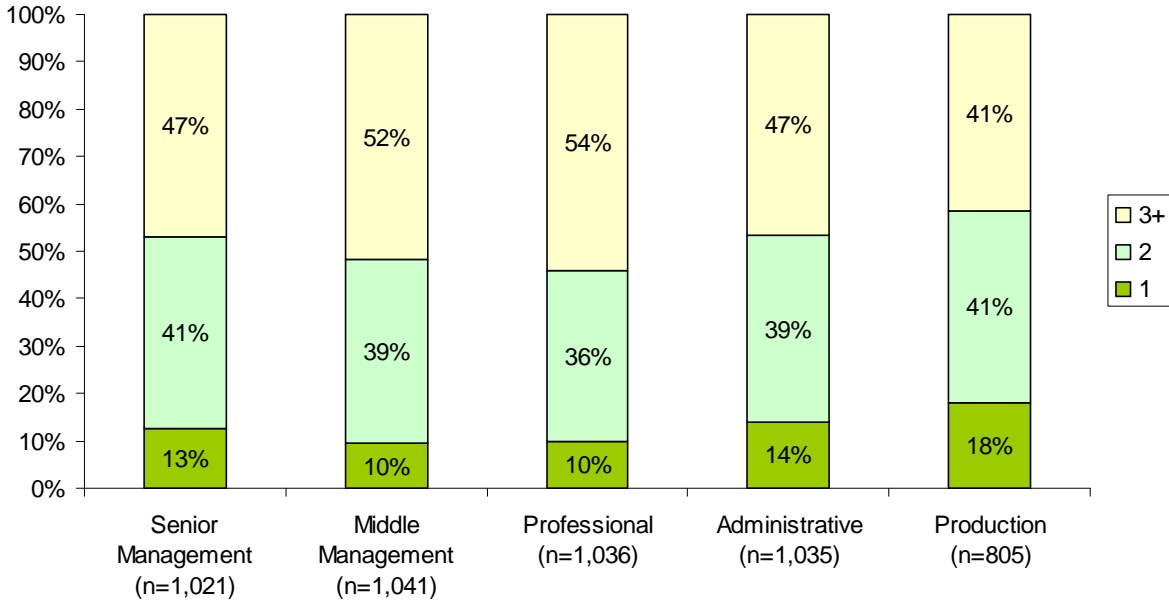


Figure 11: Base Salary Target

What is your organization's base salary target (or goal) compared to the relevant labor market?

	<25 th percentile	25 th - 40 th percentile	40 th -60 th percentile	60 th -75 th percentile	>75 th percentile	Varies/do not have a target
Senior Management (n=1,034)	0%	1%	73%	14%	3%	9%
Middle Management (n=1,045)	0%	1%	85%	7%	2%	5%
Professional (n=1,042)	1%	1%	86%	6%	2%	4%
Sales (n=877)	1%	1%	85%	6%	1%	7%
Administrative (n=1,037)	1%	2%	86%	6%	1%	5%
Production (n=835)	0%	3%	84%	6%	1%	6%

Figure 12: Total Cash Target

What is your organization's total cash target (or goal) compared to the relative labor market?

	<25 th percentile	25 th - 40 th percentile	40 th -60 th percentile	60 th -75 th percentile	>75 th percentile	Varies/do not have a target
Senior Management (n=1,037)	0%	1%	50%	24%	5%	20%
Middle Management (n=1,041)	0%	1%	61%	18%	3%	18%
Professional (n=1,035)	0%	1%	64%	14%	2%	18%
Sales (n=896)	0%	1%	63%	15%	3%	18%
Administrative (n=1,033)	0%	2%	65%	13%	2%	18%
Production (n=837)	0%	3%	63%	12%	2%	20%

Demographics

Figure 13: Organization Size

Less than 100 employees	1%
100 - 499	3%
500 - 999	6%
1,000 - 2,499	17%
2,500 - 4,999	18%
5,000 - 9,999	17%
10,000 - 19,999	15%
20,000 or more employees	24%

Figure 14: Responsibility Level

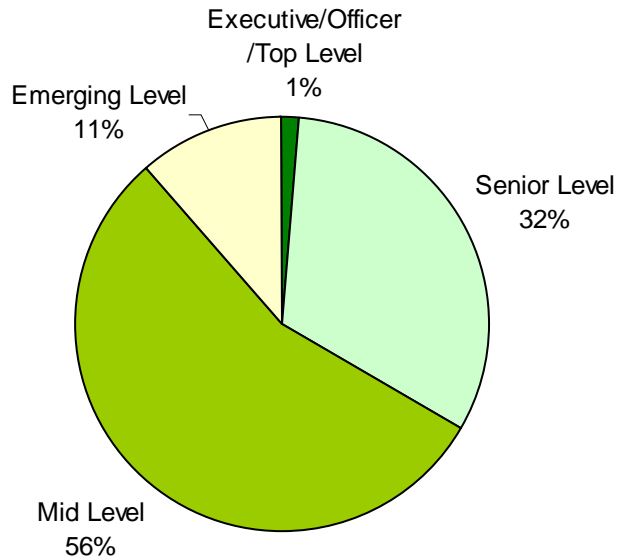


Figure 15: Industry

Finance and Insurance	16%
Health care and Social Assistance	12%
Professional, Scientific and Technical Services	7%
All Other Manufacturing	7%
Retail Trade	7%
Utilities	6%
Manufacturing	5%
Educational Services	5%
Information	5%
Public Administration	2%
Transportation	2%
Transportation and Warehousing	2%
Wholesale Trade	1%
Computer and Electronic Manufacturing	1%
Pharmaceuticals	1%
Arts, Entertainment and Recreation	1%
Accommodations and Food Services	1%
Mining	1%
Real Estate and Rental and Leasing	1%
Other	17%