

Why Requirement :-

Potential Assessment is required to:

- Inform ^{all future prospects} • Inform employees about their future prospects;
- Succession ^{plan} • Help the organization chalk out of a suitable succession plan;
- ^{update training} • Update training efforts from time to time;
- ^{low improve career prospects} • Advise employees about what they must do to improve their career prospects.

Steps to be followed while introducing a Good Potential Assessment System

The following are some of the steps required to be followed while introducing a potential assessment system:

- ^{Listing functions} • **Role Description:** Organizational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.
- ^{Listing Qualities} • **Qualities needed to perform the roles:** Bases on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioural dimensions).
- ^{How to Judge} • **Rating mechanism:** Besides listing the functions and qualities, the potential assessment system must list mechanisms of judging the qualities of employees such as:
 1. **Rating by others:** The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities.
 2. **Test:** Managerial and behavioural dimensions can be measured through a battery of psychological tests.
 3. **Games:** Simulation games and exercise (assessment centre, business games, in-basket, role play etc.) could be used to uncover the potential of a candidate.
 4. **Records:** Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.

Payroll

System organization

• **Organizing the system:** After covering the above preliminaries, he must set up a system that will allow the introduction of the scheme smoothly giving answers to some puzzling questions:

- (i) How much weightage to merit in place of seniority in promotions?
- (ii) How much weightage to each of the performance dimensions – technical, managerial, behavioural qualities?
- (iii) What are the mechanisms of assessing the individual on different indicators of his potential and with what reliability?

• **Feedback:** The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organizations to appraise his potential and the results of such an appraisal".

JOB EVALUATION

ILO

Job evaluation is an orderly and systematic technique which aims at determining the worth of jobs. It is a formal system of determining the base compensation of jobs.

The International Labour Organization (ILO) has defined job evaluation thus: "Job evaluation may be defined simply as an attempt to determine and compare the demands which the normal performance of particular jobs makes on normal workers without taking into account of the individual abilities or performance of the workers concerned." The British Institute of Management offered this definition: "Job evaluation is the process of analysis and assessment of jobs to ascertain reliably their relative worth using the assessment as a basis for a balance structure".

The basic object of job evaluation is to ascertain the relative worth of each job through an objective evaluation so that relative remuneration may be fixed for different jobs.

- determine worth of jobs & base compensation

Sound wage system (incentive & bonus program). Consistent wage policy, control payroll costs, framework for periodic review, classify & eliminate duplicate operations, reduce grievances & labour turnover.

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Objectives of Job Evaluation *Internal consistency*

The major objectives of job evaluation are to help management to achieve (1) equitability of wage structure within the firm, i.e., internal consistency, and (2) consistency of firm's overall wage structure with that of the industry in which the firm operates. Apart from these two major or primary objectives, job evaluation serves many other objectives also, those are given here below:

1. Establishment of sound wage foundation for incentive and bonus programmes
2. Maintenance of consistent wage policy
3. Enable management to gauge and control its payroll costs more accurately
4. Provide a framework for periodic review of wages and salaries
5. Classify functions, authority and responsibility which in turn aids in work simplification and elimination of duplicate operations.
6. Reduce grievances and labour turnover and, thereby, increase employee morale and improve management-employee relationships
7. Serve as a basis for negotiation with the union

Significance of Job Evaluation *Benefit*

Job evaluation leads to the following benefits:

- (i) Job evaluation is a valuable technique in the hands of management by which a more rational and consistent (internal and external) wage and salary structure can be evolved. Internal consistency is concerned with the maintenance of relative wages within the firm and external consistency refers to a desired relativity of a firm's structure to that of the industry or region.
- (ii) Job evaluation helps in bringing or maintaining harmonious relations between labour and management since it tends to eliminate wage inequalities within the organization and the industry.
- (iii) Because of increasing mechanization and automation in industry, it has become

unrealistic to pay workers primarily on the basis of their output. In many cases, it is the machine that determines the rate of production, so job evaluation will be of much use in fixing the wages.

- (iv) Job evaluation standardizes the process of determining the wage differentials for various jobs. It means uniform standards will be applied to all jobs in the organization to know their relative worth.
- (v) Job differences should not be based on skill differences only. Job evaluation takes into account various other factors like risks and working conditions also to determine the worth of jobs. Jobs are no longer differentiated mainly by the degree of skills required as differences in other job characteristics such as responsibility, effort required and nature of work have assumed greater importance for such jobs. There is thus no justification for paying wages according to skill requirements only. Job evaluation takes all relevant factors into account to determine wages.
- (vi) Job evaluation provides a rate for the job and not for the man. Because of division of labour and specialization any large enterprise may have hundreds or thousands of different jobs to be performed by a substantial number of workers. Many workers work together on the same, similar or technically interdependent jobs. An attempt should be made to precisely define the jobs and fix wages accordingly. This is possible only by job evaluation.
- (vii) Job evaluation helps in keeping down the costs of recruitment and selection of workers. It also assists in retaining the workers or, in other words, keeping down the rate of labour turnover because worker's wages are determined systematically by the process of job evaluation. Job evaluation involves job analysis which is of great use while recruiting new employees. Selection can be made objective by matching the qualifications of the candidate with the job specifications.

Limitations of Job Evaluation

The limitations of job evaluation are as under:

- (i) There is no standard list of factors to be considered for job evaluation. Moreover, all job factors can't be measured accurately. Thus, job evaluation lacks scientific precision.
- (ii) The wages fixed for a job on the basis of job evaluation might not retain workers who can make much money else-where because of law of demand and supply.
- (iii) There is a strong feeling among the workers that individual merit should be rewarded as some kind of merit rating scheme has to be superimposed upon evaluated wage rates.
- (iv) It presumes that jobs of equal worth will be equally attractive to the employees, but it is not true in real life. If a job offers no prospects of a rise, while another job rated equal to it has bright prospects, the later will attract more people.

- (v) It tends to be inflexible in so far as it does not place right deal of emphasis on the wage rates prevalent in the industry as a whole.
- (vi) Trade unions often regard job evaluation with suspicion because some of the methods are not scientific and are difficult to understand. They fear that the job evaluation will do away with collective bargaining for settlement of wages.

Job Evaluation Programme

The process of job evaluation involves the following steps:

1. A thorough examination of the jobs.
2. The preparation of job descriptions and usually an analysis of job requirements needed for its successful performance.
3. The comparison of one job with others.
4. The arrangement of jobs in their correct sequence in terms of value to the firm.
5. The relation of the sequence to a money scale.

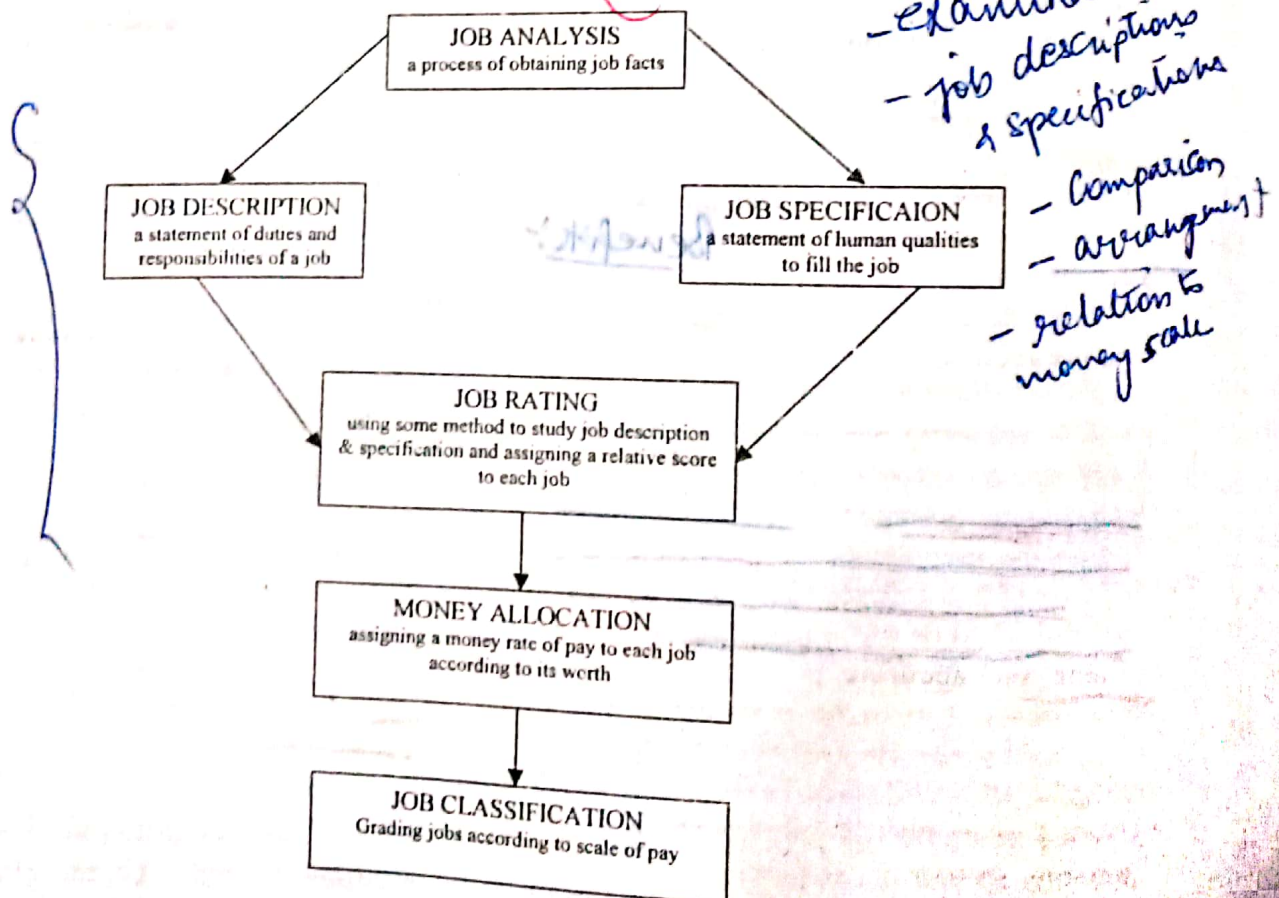


Fig. 6. The process of Job Evaluation

FEATURES

An effective job evaluation system (see Fig. 6) should fulfill the following conditions:

- (a) It should be carried out with a high degree of integrity and fair mindedness.
- (b) It calls for mutual trust between management and unions.
- (c) The evaluator or committee of evaluators should have a wide knowledge of all the jobs dealt with.
- (d) The workers should be informed of what is intended and be reassured early in the discussions that no rate of pay would be cut as a result of job evaluation, and
- (e) The details of the scheme should not clash with provisions of a collective agreement.

Principles of Job Evaluation

In establishing the systematic approach to measuring job worth, there are certain principles which must be followed. Those are given here below:

1. Consideration of Job
 2. Clarity of Job Information
 3. Pooling of Knowledge
 4. Grouping of Jobs
1. **Consideration of Job:** The job evaluators must rate the job and not the employee. In deciding how much money a particular job is worth, there is always a temptation to be influenced in one's judgement by the qualifications and caliber of the individual who is presently performing the job. But he may be either over or under-qualified. So the job evaluators should not commit the error of rating the individuals.
2. **Clarity of Job Information:** Job analysis must be done before job evaluation is initiated. Clear and accurate job descriptions and specifications must be available to provide data concerning the factors to be measured.
3. **Pooling of Knowledge:** As far as possible, the pooled or combined judgements of several persons should be employed in evaluating jobs. Job evaluation is a systematic, orderly, and logical way of setting the rates of wages within a firm. However, it is not exact

measurement, it is grading or rating. The decisions of a number of qualified persons will reduce the likelihood of serious errors.

4. **Grouping of Jobs:** A decision must be made concerning what jobs are to be covered by a single evaluation system. Only similar jobs should be grouped together for the purpose of evaluation.

Selection of Job Factors: Job evaluation should involve the evaluation of various jobs in terms of certain factors. The important factors to be considered under job evaluation may be grouped under the following heads:

- (a) Skill : mental and manual,
- (b) Experience
- (c) Effort and initiative
- (d) Responsibility to be undertaken
- (e) Working environments, and
- (f) Supervision needed

Skill
SEWERS

Methods of Job Evaluation

The more difficult the job, the more is its worth. The more scarce the labour supply and higher the demand, the more a job is worth. The more skill, education and responsibility required in a job, the more is its worth. These generalizations usually hold true for most jobs and serve as indicators of what the level of pay should be, but they are so general that they are of little use in translating specific jobs into rates of monetary compensation. Therefore, several systems of job evaluation have been developed which take into account the above mentioned factors either directly or indirectly.

There are four types of job evaluation methods.

These can be divided into two categories:

1. Non-quantitative methods

- (i) Ranking or job comparison
- (ii) Grading or job classification

2. Quantitative methods

- (iii) Point rating
- (iv) Factor comparison

The first category covers the simple methods which apparently make no use of detailed job factors. But they remain in the minds of the evaluators and thus affect the results. The job is

treated as a whole, and job descriptions are often utilized. But the methods under the second category use detailed analysis. Job factors are selected and measured and job specifications are definitely given consideration.

(i) **Ranking Method:** The job ranking method is the simplest of all the methods. A committee of several executives is constituted which evaluates the job descriptions and ranks them in order of importance beginning with the most important job to the least important job in the organization. No specific factors are used for consideration. The purpose of ranking is to determine whether a job involves the same level of duties, responsibilities and requirements as others in the series or a higher or lower level than they do. By comparing the jobs, the rank order of importance of each can be determined. In this method, jobs are not split up into their component parts. Instead comparison is made on the basis of whole jobs. Three techniques are generally used for ranking purposes, namely:

- (a) Utilizing job descriptions ✓
- (b) Making paired comparisons, and ✓
- (c) Ranking also a number line ✓

(ii) **Job Grading or Classification Method:** This method is considered to be an improvement over ranking method in that a predetermined scale of values is provided. This method involves (1) establishing of job classes or grades, (2) definition of each grade and (3) classification of individual jobs according to how well their characteristics match those of the different grade definitions.

The job evaluation committee goes through each job description and carefully weighs it in the light of certain factors like skill, experience, etc. In this way, it assigns each job to a particular grade or class. For each grade or class, there is a different rate of wage. In fact, this method arrives at a series of classes or grades, which is precisely the point at which both the point and factor-comparison system also arrive. It is also a relatively simpler and inexpensive system to operate.

The main disadvantages of the job grading method are that broad generalizations must be used in defining grades. Another difficulty is that grading approach usually requires multiple systems for different types of jobs, e.g., description of office jobs differs widely from those of production jobs. Moreover, the installation of this method is not appropriate for big organizations.

(iii) **Point Method:** This is the most widely used method of job evaluation. It along with factor comparison system, involves a more detailed, quantitative and analytical approach to the measurement of job worth. Under this method, a quantitative evaluation of different jobs in terms of various factors is made. Maximum point values are assigned to each of the job factors required to be considered. Then each job is awarded points for each of the factors. The wage level appropriate for each job is fixed on the basis of total points scored by it. It contrasts to the ranking and grading methods, which measure jobs as whole jobs, the point system is a more analytical approach and deals with job factors. A job factor is a specific requirement levied upon the jobholder which he must contribute, assume or endure. The major factors are: skill, effort, responsibility and working conditions. These factors or points are later converted into money value. The procedure for the design of 'Point Method' is discussed below:

1. List the type of jobs to be evaluated
2. Determine the factors to be used in this method like skill efforts, initiative, etc., and define them properly
3. Determine the number of degrees to be allocated to each factor and prepare a suitable definition of each
4. Assign points to each degree of each factor
5. Select a certain number of key jobs, say 10-15, and evaluate each in terms of scale so constructed
6. Design the wage structure

or key job method
(iv) **Factor Comparison Method:** Thoman E.

Hitten was the first to originate factor comparison method of job evaluation. This method determines the relative rank of the jobs to be evaluated in relation to monetary scale. It is often used for evaluating white collar, professional and managerial positions, although it is equally suitable for grading other jobs as well. It is essentially a combination of the ranking and point systems. Like rank order method, it rates jobs by comparing one job with another and, like the point system, it is more analytical in the sense of subdividing jobs into compensable factors. Final ratings are expressed in terms of number. In this method, five factors are generally evaluated for each job. These are comparatively fewer than the point system but are nevertheless sufficient, because each factor is defined broadly. The number of factors may be more than five also. The five factors which are customarily used are:

- 1. Mental requirements
- 2. Skills
- 3. Physical requirements
- 4. Responsibilities
- 5. Working conditions

The evaluation of job under this method consists of following steps: *Method:*

1. Select the factors and define them clearly.
2. Select the key job which would serve as standard against which all other jobs are compared. A key job is one whose content has become stabilized over a period of time and whose wage rate is considered to be presently correct by the management and the union.
3. Allocate wage for each key job to different factors.
4. Develop a job comparison scale and insert key jobs in them. When all of the key jobs have been evaluated and wages allocated in this manner, a job comparison scale can be constructed.
5. Evaluate the job in question factor by factor in relation to key jobs on job comparison scale. Then each job is to be evaluated and compared to other jobs in terms of each factor.
6. Design, adjust and operate the wage structure.