1. Job Descriptions/Competency Profiles

A critical component of both compensation and selection systems, job descriptions/competency profiles define in writing the responsibilities, requirements, skills, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.

2. Job Analysis

Job Analysis is the process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.

Job Evaluation

Job Evaluation is a system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques:

Ranking

- - Jobs are compared to each other based on the overall worth of the job to the organization. The 'worth' of a job is usually based on judgements of skill, effort (physical and mental), responsibility (supervisory and fiscal), and working conditions

Advantages

- Simple.
- Very effective when there are relatively few jobs to be evaluated (less than 30)

Disadvantages

- Difficult to administer as the number of jobs increases.
- Rank judgements are subjective.
- Since there is no standard used for comparison, new jobs would have to be compared with the existing jobs to determine its appropriate rank. In essence, the ranking process would have to be repeated each time a new job is added to the organization.

Classification -

Jobs are classified into an existing grade/category structure or hierarchy. Each level in the grade/category structure has a description and associated job titles. Each job is assigned to the grade/category providing the closest match to the job. The classification of a position is decided by comparing the whole job with the appropriate job grading standard. To ensure equity in job grading

and wage rates, a common set of job grading standards and instructions are used. Because of differences in duties, skills and knowledge, and other aspects of trades and labor jobs, job grading standards are developed mainly along occupational lines

Advantages

- Simple
- The grade/category structure exists independent of the jobs. Therefore, new jobs can be classified more easily than the Ranking Method

Disadvantages

- Classification judgments are subjective
- The standard used for comparison (the grade/category structure) may have built in biases that would affect certain groups of employees (females or minorities)
- Some jobs may appear to fit within more than one grade/category

Factor Comparison -

A set of compensable factors are identified as determining the worth of jobs. Typically the number of compensable factors is small (4 or 5). Examples of compensable factors are:

1. Skill
2. Responsibilities
3. Effort
4. Working Conditions

Next, benchmark jobs are identified. Benchmark jobs should be selected as having certain characteristics, such as:

1. Equitable pay (not overpaid or underpaid)
2. Range of the factors (for each factor, some jobs would be at the low end of the factor while others would be at the high end of the factor)

The jobs are then priced and the total pay for each job is divided into pay for each factor. This process establishes the rate of pay for each factor for each benchmark job. Slight adjustments may need to be made to the matrix to ensure equitable dollar weighting of the factors. The other jobs in the organization are then compared with the benchmark jobs and rates of pay for each factor are summed to determine the rates of pay for each of the other jobs.

Advantages

- The value of the job is expressed in monetary terms
- Can be applied to a wide range of jobs
- Can be applied to newly created jobs

Disadvantages

- The pay for each factor is based on judgements that are subjective.
- The standard used for determining the pay for each factor may have build in biases that would affect certain groups of employees (females or minorities).

Point Method

A set of compensable factors are identified as determining the worth of jobs. Typically the compensable factors include the major categories of:

1. Skill
2. Responsibilities
3. Effort
4. Working Conditions

These factors can then be further defined.

Skill

1. Experience
2. Education
3. Ability

Responsibilities

1. Fiscal
2. Supervisory

Effort

1. Mental
2. Physical

Working Conditions

1. Location
2. Hazards
3. Extremes in Environment

The point method is an extension of the factor comparison method. Each factor is then divided into levels or degrees which are then assigned points. Each job is rated using the job evaluation instrument. The points for each factor are summed to form a total point score for the job. Jobs are then grouped by total point score and assigned to wage/salary grades so that similarly rated jobs would be placed in the same wage/salary grade.

Advantages

- The value of the job is expressed in monetary terms
- Can be applied to a wide range of jobs
- Can be applied to newly created jobs

Disadvantages

- The pay for each factor is based on judgements that are subjective.
- The standard used for determining the pay for each factor may have build in biases that would affect certain groups of employees (females or minorities).

3. Pay Structures

Pay structures are useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

4. Salary Surveys

Salary surveys collect salary and market data. They may include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.

5. Policies and Regulations

There are many statutory acts and regulations impacting Compensation in Canada. These include but are not limited to Employment Standards Acts, Pay Equity Acts, Canada Labour Code, Pension Acts, Compensation Disclosure Acts and Privacy Acts.