

# Paving the way to equal pay

## Mastering job classification for fair compensation structures



## Table of contents

- Why read this guide? ..... 1
- Key takeaways ..... 1
- Job classification: Three ways to capture the value of work ..... 2
  - The specific job role approach ..... 3
  - The key variables approach ..... 5
  - The point evaluation scheme approach ..... 6
- Start your job evaluation with PayAnalytics by beqom ..... 7

# Why read this guide?

At some point early in their pay equity journey, many organizations find it necessary to define or redefine their compensation structure. It could be that in the organization's past, there were insufficient documented criteria for determining pay; perhaps those criteria were inconsistent across departments or defined years ago and have since atrophied, no longer reflecting what the organization values now.

**Job classification is the way an organization becomes aware of what employee qualities or qualifications it considers important for each job.**

Job classification is also a key component of the equal pay analysis, which is a major early step in the pay equity journey. And in some countries or localities, using a specific type of job classification or submitting related documentation may actually be required by law.

In this e-book, we present the **three job classification approaches we've seen time and again**, as well as their upsides, downsides, and nuances.



## Key takeaways

There are **three main types of job classification approaches**. You can define job roles and/or families, use key variables that capture the job's value, or use a point evaluation scheme.

**Defining job roles** involves understanding and classifying the work of each employee. It requires some knowledge of all jobs within the organization, plus the job roles can be neither too broad nor too narrow.

We generally advise our customers to consider using **the simplest approach** that makes sense for their organizational structure.

For the “**key variables**” approach, most organizations choose between two and five variables that are meaningful to them. Skill requirements and managerial responsibilities are common inputs in this approach. This can be useful for smaller organizations where there are few employees in each role.

The **total point evaluation scheme** starts by defining job components, such as knowledge, skill, and responsibility, and giving each component a weight. Each larger component can then be broken down into smaller ones, which are each assigned their own individual weight.

## Job classification: Three ways to capture the value of work

The core goal of equal pay analysis is to ensure equal pay for equal work, equal pay for substantially similar work, and/or equal pay for work of equal value. To that end, the salary model used in the analysis needs to capture the value of work performed by each employee. There are multiple approaches to doing this, but these three job classification types are the most typical:

- 01 *Defining job roles and/or job families*
- 02 *Including a number of key variables that capture the essence of the value of the job*
- 03 *Applying a point evaluation scheme*

### So which approach is right for you?

It depends on the organization, its size and its complexity. Regardless of the method used, though, the most important thing to remember about job evaluation is that your standards should be **transparent, consistent, and accurately reflect the value, importance, and demands of the job.**

It’s important to remember here that a job classification usually takes place within the context of an equal pay analysis. The equal pay analysis contains both the job classification and other employee-specific bona fide determinants of pay. These determinants are variables, including years of experience, highest education level received, performance scores, and job location. An equal pay analysis can also include other job-related factors that fall outside the job evaluation.

In other words, the job classification is not your only chance to make sure each and every idiosyncrasy of every job is accounted for—here, you just want to try and capture the big picture.

# 01) The specific job role approach

Classifying the work done by each employee into a specific job role is conceptually the simplest approach, but it may be the most complex in practice. These job roles should be specific enough that employees in the same job role are doing substantially similar work. But they should also be sufficiently broad to ensure the comparison group is large enough that employees in the same job can be meaningfully compared. When job roles are too narrow, a job role will have too few employees for you to draw meaningful inferences. However, when job roles are too broad, you run the risk of overlooking important differences between employees' contributions.

Creating these job roles requires insider knowledge: You have to understand your company's job structure and the responsibilities of any given job. However, the job structure typically follows a hierarchy that flows from high-level job family down to specific job function. This job structure often follows the company's organizational chart. The way that jobs are sorted into job roles is heavily influenced by the size of the organization. For a smaller organization, job roles typically run across functional areas, while for large corporations, the structure is more complex.

**For example, this might be a job family structure for a simple organization:**



**These job families can then be further broken down into job roles as needed**



The number of job roles in each family depends on the nature of the organization. A sales-focused organization may have multiple levels of sales jobs, while a utility company may group sales with their office jobs. Note that the pay in each job role may not follow a strict hierarchy; for example, the average pay for Specialist I may exceed a typical manager's pay.

For a more complex organization, the job families may be **functional areas** (finance, operations, sales), then each job family may be broken down into a **job category** (management, professional, services). Each job category may be even further broken down into **job roles** (Professional I, Professional II and Professional III).

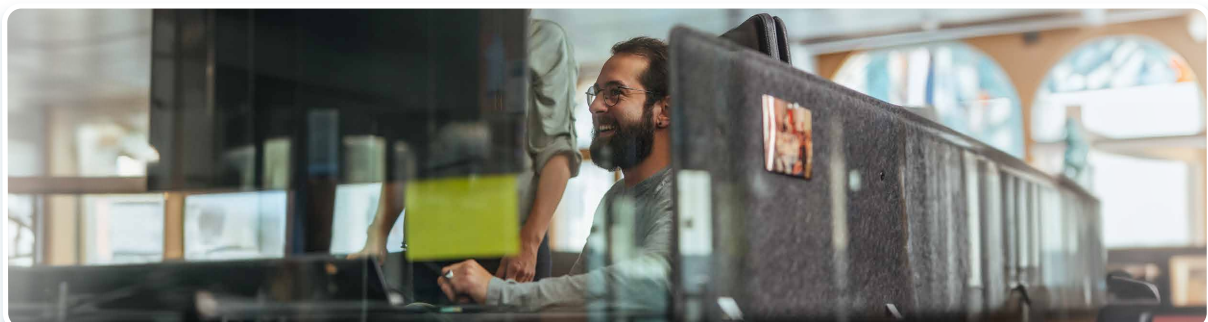
When you create job roles, you may want to start first with a broad approach, combining multiple jobs that contain similar tasks and responsibilities into one job role. **Then study each job role.** You might find that within that job role there are individual employees who carry out tasks that are significantly different from those performed by other employees within the job role. If that is the case, you may need to divide the job role up (for example, dividing the professional role into Professional I and Professional II or dividing project managers into junior project managers and senior project managers).

## Examples of the specific job role approach.

A number of organizations have published their job hierarchies. These publicly available resources might simply serve as inspiration, or you might make one into a template and adjust it to your organizational needs. For example, the University of Michigan organizes their job roles into job families, then families into functions, functions into categories, and finally categories to job levels.

The University of California breaks down its jobs into specific job roles by family, subfamily, category, and level. The job family is the broad business area the job belongs to (for example, finance or marketing), while the subfamily represents the specific functional area within the job family (for example, payroll, purchasing, etc.). The job category reflects the nature of the work: whether the job is a support role, a professional role, or a managerial role. Each job is then classified into levels of responsibility.

Family	Broad Functional Area / Organization Grouping		
Function	Specific Job Function		
Category	Operations	Professional	Managerial
Level	Level 1 Level 2 Level 3	Entry Intermediate Experienced Advanced Expert	Supervisor Manager 1 Manager 2 Director





## 02) The key variables approach

A second job classification method is to score each job description using a small set of key variables that capture the intensity and importance of a job. This is often a useful approach, especially for smaller organizations where there may be very few employees in each job role—even when the job roles are broadly defined. At its core, a job can be measured based on the complexity of the tasks, the qualifications needed, and the responsibilities the employee must have and/or value they bring to the organization. There are multiple ways you can specify these variables. One such approach, put forward by Logib (a standard pay equity analysis tool), involves two steps.



First, you give each job role a point score from 1 (highest) to 5 (lowest) on its skill requirements on one hand and its managerial responsibilities on the other, and then you account for the educational level (on a scale from 1 to 9) necessary to do the job.

Other key variables that companies may use are job importance level (impact) and financial (or other) responsibilities. Most organizations select between two and five variables that summarize the value the job brings to the company.

Once the key variables are chosen, you will need to define a method for assigning a level (e.g., a number between one and five) to each job. It is essential that the levels be clearly defined and measurable by objective criteria.

Transparency in scoring, plus consistent scoring across departments, job functions, and locations, are critical to this method's success. Once each job is scored on the key variables, these variables can be used in your statistical analyses to quantify how each variable contributes to overall compensation.

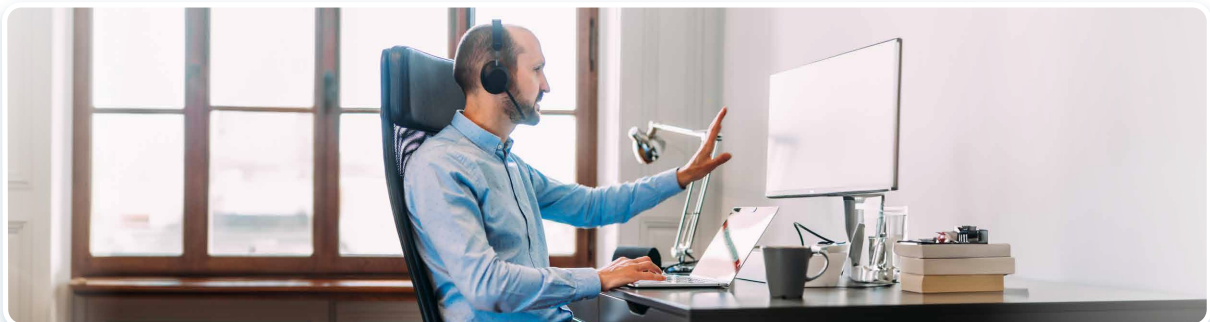
The main advantage of this method is that it lets you compare pay across domains and functional groups. It also gives insight into why some jobs are paid higher than others, or in other words, it shows you the extent to which each of the key variables drives pay. However, the key variables may not capture quite as much information as job roles do, so this key variable approach may have lower overall accuracy, and the nuances of individual job roles may be lost.

## 03) The point evaluation scheme approach

At the core of a point evaluation schema is the idea of assigning points to evaluate job components such as knowledge, skills, responsibility and working environment. Each of these categories is given a weight, according to the emphasis of the organization. For example, an organization's salary policy may reflect knowledge as 25% of salary, skills as 30%, responsibility as 30% and working environment as 15%.

These larger categories can then be broken down into subcategories. For example, knowledge may be broken down into formal training and experience. Each subcategory can be even further broken down into multiple levels. For example, you may have formal training account for 15%, broken down into nine levels (ranging from compulsory education to PhD); you may also have experience accounting for 10%, broken down into five levels (ranging from entry level to highly experienced). The score for each job across subcategories is summed to determine the relative value of the different jobs.

An organization can either develop their own point schema, adapt a schema that is publicly available, or utilize commercial job classification systems. One of the most commonly used is named Korn Ferry (formerly Hay), which ranks jobs on know-how, problem solving, and accountability, then breaks down each of these categories into further sub-categories.



# Start your job evaluation with PayAnalytics by beqom

PayAnalytics by beqom makes job classification easy through its job evaluation feature. Once you decide which criteria are important in each job, the software lets you create a job classification framework based on what really matters to you. You can build your own framework using the wizard, import one you've created in Excel, or simply use one of our built-in templates.

**PayAnalytics by beqom supports all three job classification approaches: job roles, key variables, and point evaluation schemes.**

If you're interested to learn how PayAnalytics by beqom can help you with job classification, please feel free to **contact us** to chat with one of our pay equity specialists or to book a demo of our platform.

