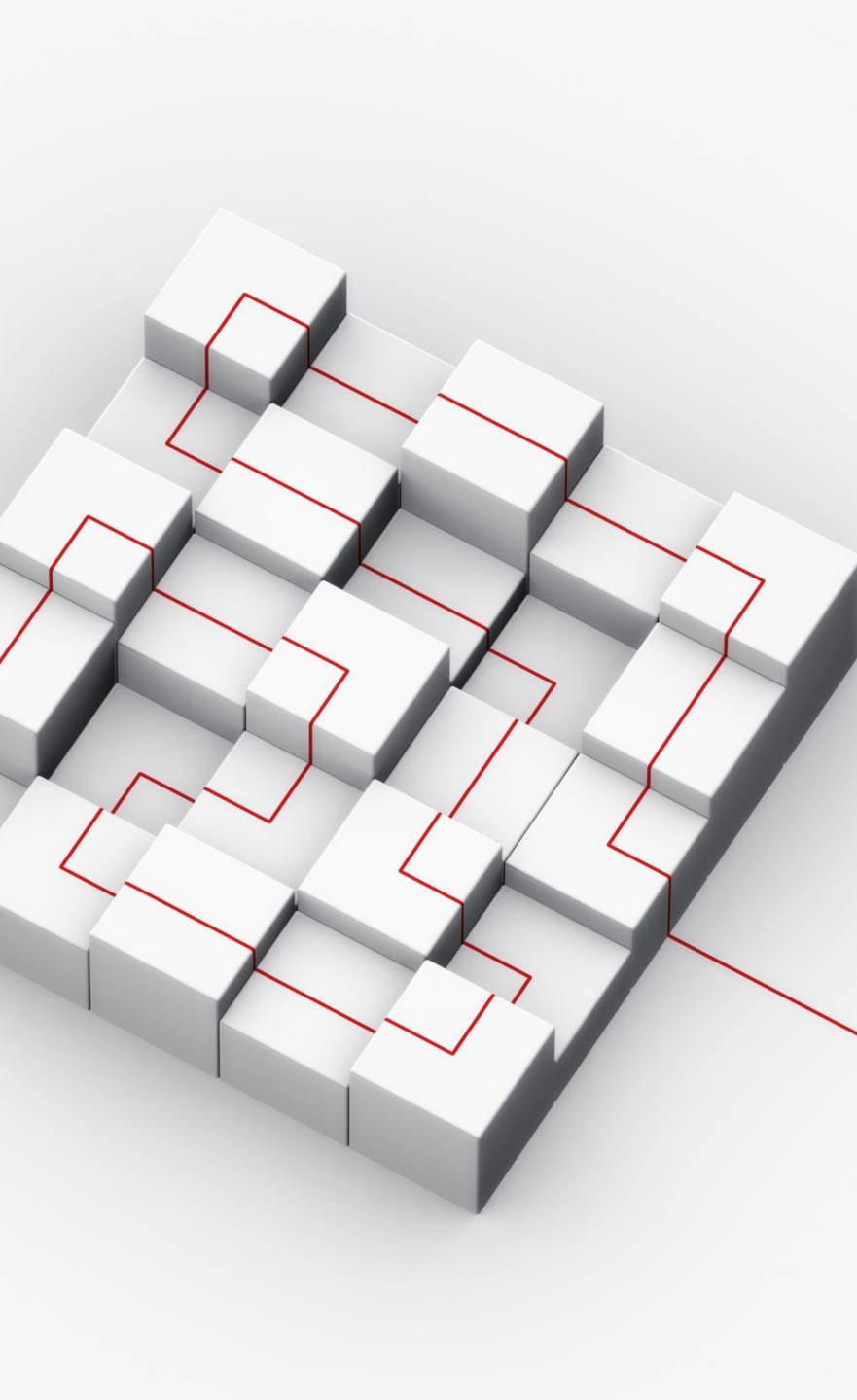




Defining Internal Alignment & Job Analysis

Week 3

Thanuja Thananayagam



Learning Outcomes

- ❑ Define what is meant by internal alignment and pay structure.
- ❑ Describe the three factors that determine how internal pay structures are designed.
- ❑ Describe the factors that shape internal structure.
- ❑ Explain the two strategic choices involved in designing internal pay structures.
- ❑ Explain three theoretical approaches to determining which pay structure is best for an organization.
- ❑ Describe three consequences of an internally aligned pay structure.



Reflection

- What is internal alignment? Why is internal alignment an important compensation policy? What happens when a compensation policy is not internally aligned?



Internal Alignment

- ❑ refers to the relationships among different jobs/skills/competencies within a single organization → job structure. Often referred to as internal equity.
- ❑ Structure needs to:
 - ❑ Supports organization strategy
 - ❑ Supports work flow
 - ❑ Work flow is the process by which good and services are delivered to the customer.
 - ❑ Motivates behavior
 - ❑ “line-of-sight” – relationship between each job and the organization’s objectives.

Internal Pay Structure

- ❑ Refers to the array of pay rates for different work or skills within a single organization.
- ❑ An internal pay structure can be defined by:
 - ❑ the number of levels,
 - ❑ the pay differentials between the levels, and
 - ❑ the criteria or bases used to determine those levels and differentials.

Exhibit 3.1 Engineering Structure at Lockheed Martin

Entry
Level



Engineer. Limited use of basic principles and concepts. Develops solutions to limited problems. Closely supervised.

Senior Engineer. Full use of standard principles and concepts. Provides solutions to a variety of problems. Under general supervision.

Systems Engineer. Wide applications of principles and concepts, plus working knowledge of other related disciplines. Provides solutions to a wide variety of difficult problems. Solutions are imaginative, thorough, and practicable. Works under only very general direction.

Lead Engineer. Applies extensive expertise as a generalist or specialist. Develops solutions to complex problems that require the regular use of ingenuity and creativity. Work is performed without appreciable direction. Exercises considerable latitude in determining technical objectives of assignment.

Advisor Engineer. Applies advanced principles, theories, and concepts. Contributes to the development of new principles and concepts. Works on unusually complex problems and provides solutions that are highly innovative and ingenious. Works under consultative direction toward predetermined long-range goals. Assignments are often self-initiated.

Recognized
Authority

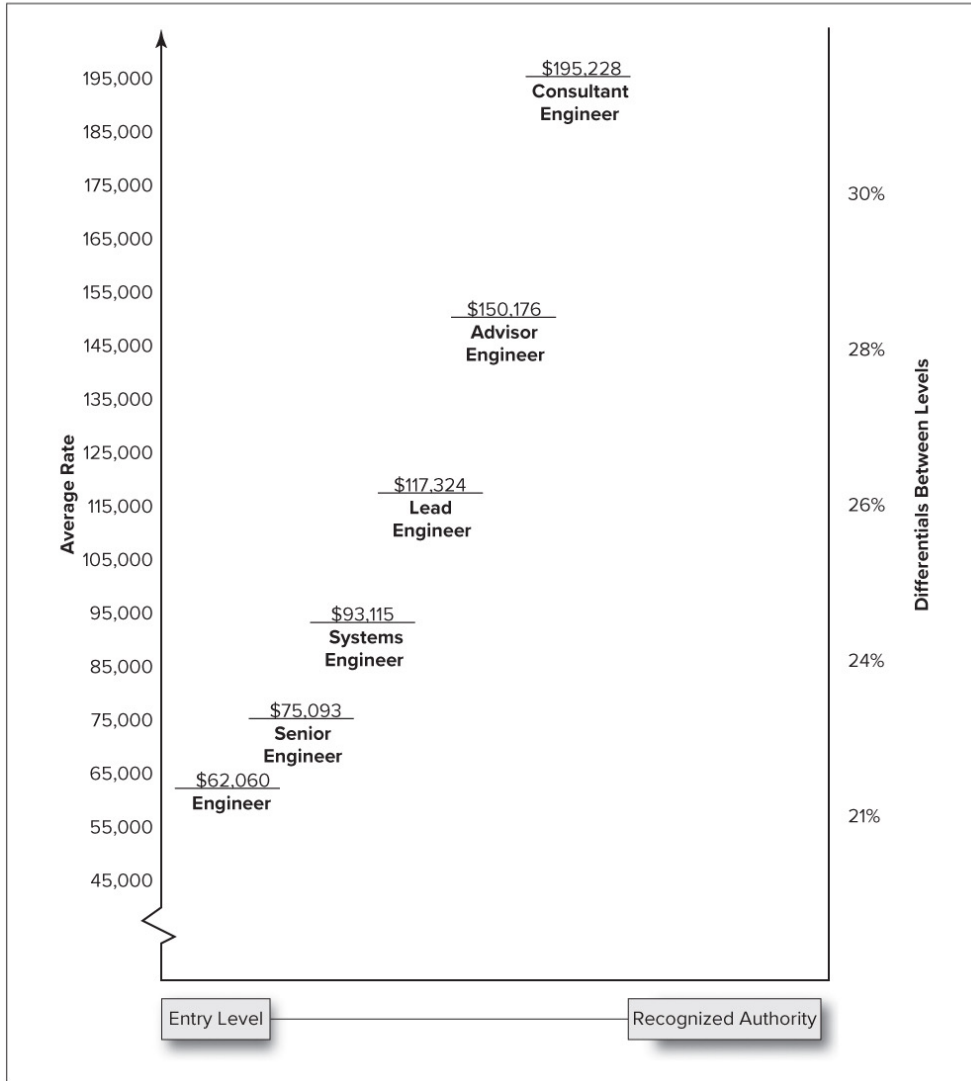
Consultant Engineer. Exhibits an exceptional degree of ingenuity, creativity, and resourcefulness. Applies and/or develops highly advanced technologies, scientific principles, theories, and concepts. Develops information that extends the existing boundaries of knowledge in a given field. Often acts independently to uncover and resolve problems associated with the development and implementation of operational programs.

Differentials

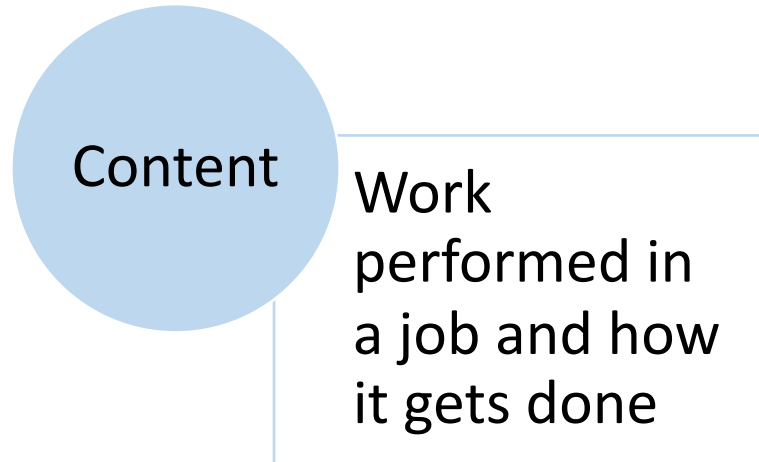
- ❑ The pay differences among levels are differentials.
- ❑ Higher pay is usually due to work:
 - ❑ requiring more skill/knowledge,
 - ❑ performed in unpleasant work conditions, or
 - ❑ work that adds more value to the company.
- ❑ To motivate people to strive for promotion to higher-paying levels



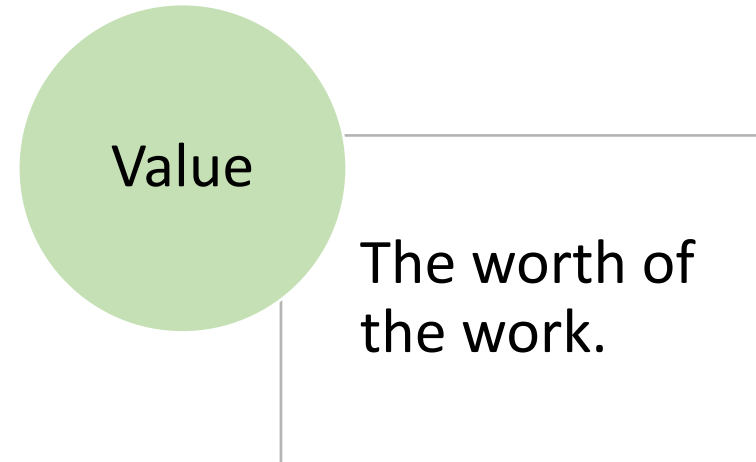
EXHIBIT 3.3 Engineering Pay Structure



Criteria



A structure based on content ranks jobs based on skills required, complexity of tasks, problem solving, and/or responsibility.



A structure based on value focused on the relative contribution of the skills, tasks, and responsibilities of a job to the organization's goals.

Job- and Person-Based Structures



A job-based structure relies on the work content – tasks, behaviors, responsibilities.



A person-based structure shifts the focus to the employee.

The skills, knowledge, or competencies the employee possesses and if they are used in the job.

What Shapes Internal Structure?

External Factors

- Economic Pressures
- Government Policies, Laws and Regulations
- Stakeholders
- Cultures and Customs

Organizational Factors

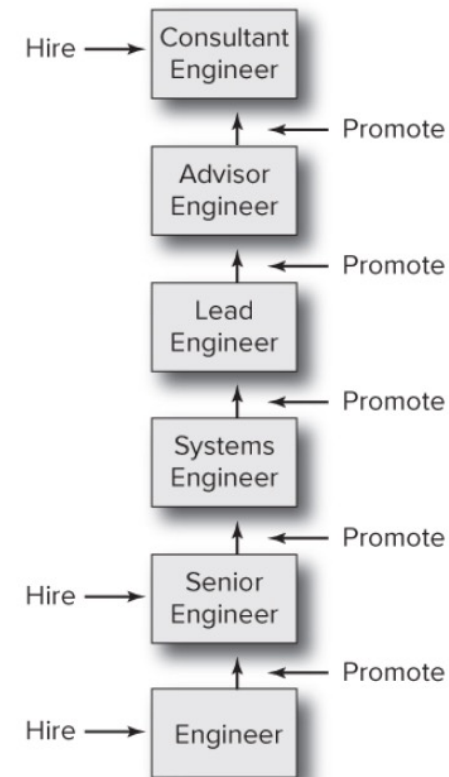
- Strategy
- Technology
- Human Capital
- HR Policy
- Employee Acceptance
- Cost Implications

Internal Labour Markets

Refer to the rules and procedures that:

- ❑ determine the pay for the different jobs within a single organization, and
- ❑ allocate employees among those different jobs.

Exhibit 3.5 Illustration of an Internal Labour Market

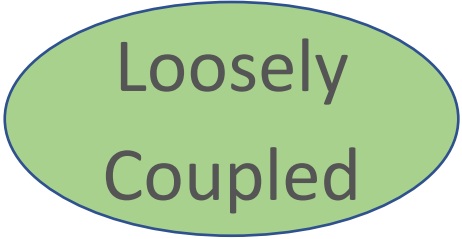


Strategic Choices in Designing Internal Structures



Tailored

- ❑ Adapted by organizations with a low-cost, customer-focused strategy.
- ❑ Has well-defined jobs with detailed steps or tasks.
- ❑ Has well-defined pay structure
- ❑ Examples: McDonald's, Walmart



Loosely Coupled

- ❑ Adapted by organizations that require constant innovation.
- ❑ Jobs are flexible, adaptable and changing
- ❑ Pay structures are more loosely linked to the organization to provide flexibility.
- ❑ Example: 3M

Strategic Choices in Designing Internal Structures



Egalitarian

- ❑ Fewer levels and smaller differentials.
- ❑ Equal treatment can mean knowledgeable employees feel underpaid, who may quit or change their behaviours.
- ❑ Results in higher performance when collaboration is required.

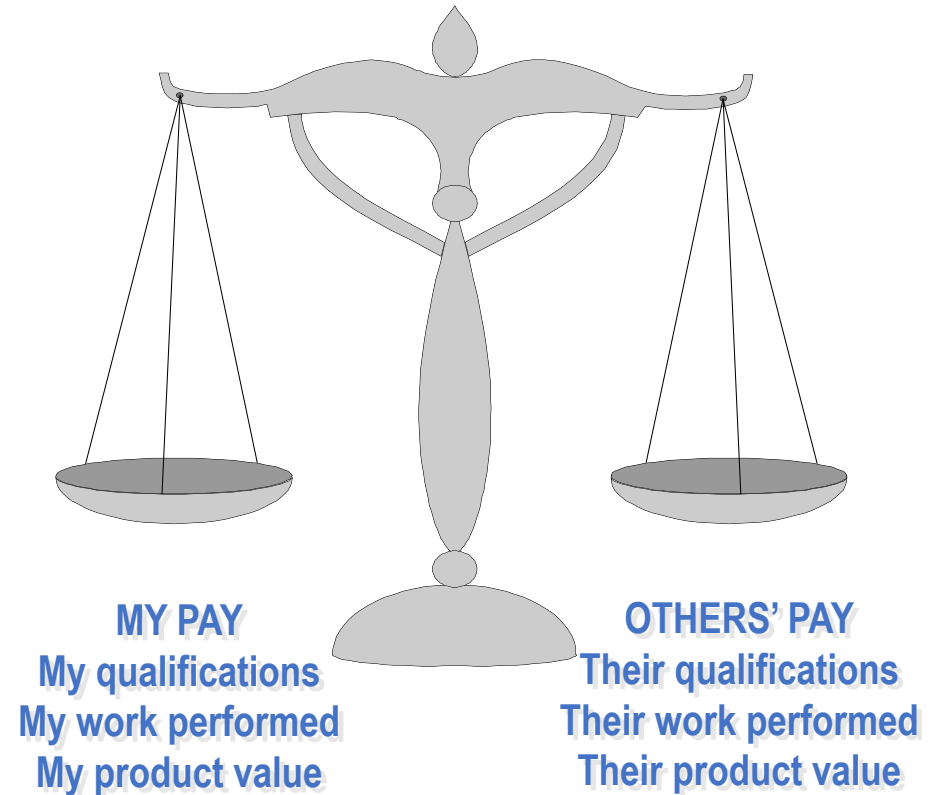


Hierarchical

- ❑ Have multiple levels
- ❑ Have detailed job description
- ❑ Results in higher performance when work flow depends on individual effort.

Equity Theory: Fairness

- ❑ People compare the ratio of their own outcomes to inputs with that of others.
- ❑ Employees judge fairness by comparing:
 - ❑ to jobs similar to their own,
 - ❑ their job to others at the same employer, or
 - ❑ their pay against external pay levels.



Tournament Theory

- ❑ Relationship between motivation and performance.
- ❑ Example: players perform better where prize differentials are sizeable.
- ❑ Works best in situations where individual performance matters most.

Institutional Theory

- ❑ Copy others and conform
- ❑ Organizations use “best practices”, and are simply copied
- ❑ What aligns with the strategy of one organization may not align with that of another.
- ❑ It may not be possible to have “competitive advantage” by simply imitating practices.

Consequences of an Internally-Aligned Pay Structure

- ❑ Efficiency
 - ❑ Aligned structures lead to better performance.
- ❑ Fairness
 - ❑ Fair differentials motivate.
 - ❑ Small differentials facilitate cooperation and commitment.
- ❑ Compliance
 - ❑ Comply with regulations of the country.

Potential Outcomes of an Internally-Aligned Pay Structure:

- Undertake training
- Increase experience
- Reduce turnover
- Facilitate career progression
- Facilitate performance
- Reduce pay-related grievances
- Reduce pay-related work stoppages

Summary

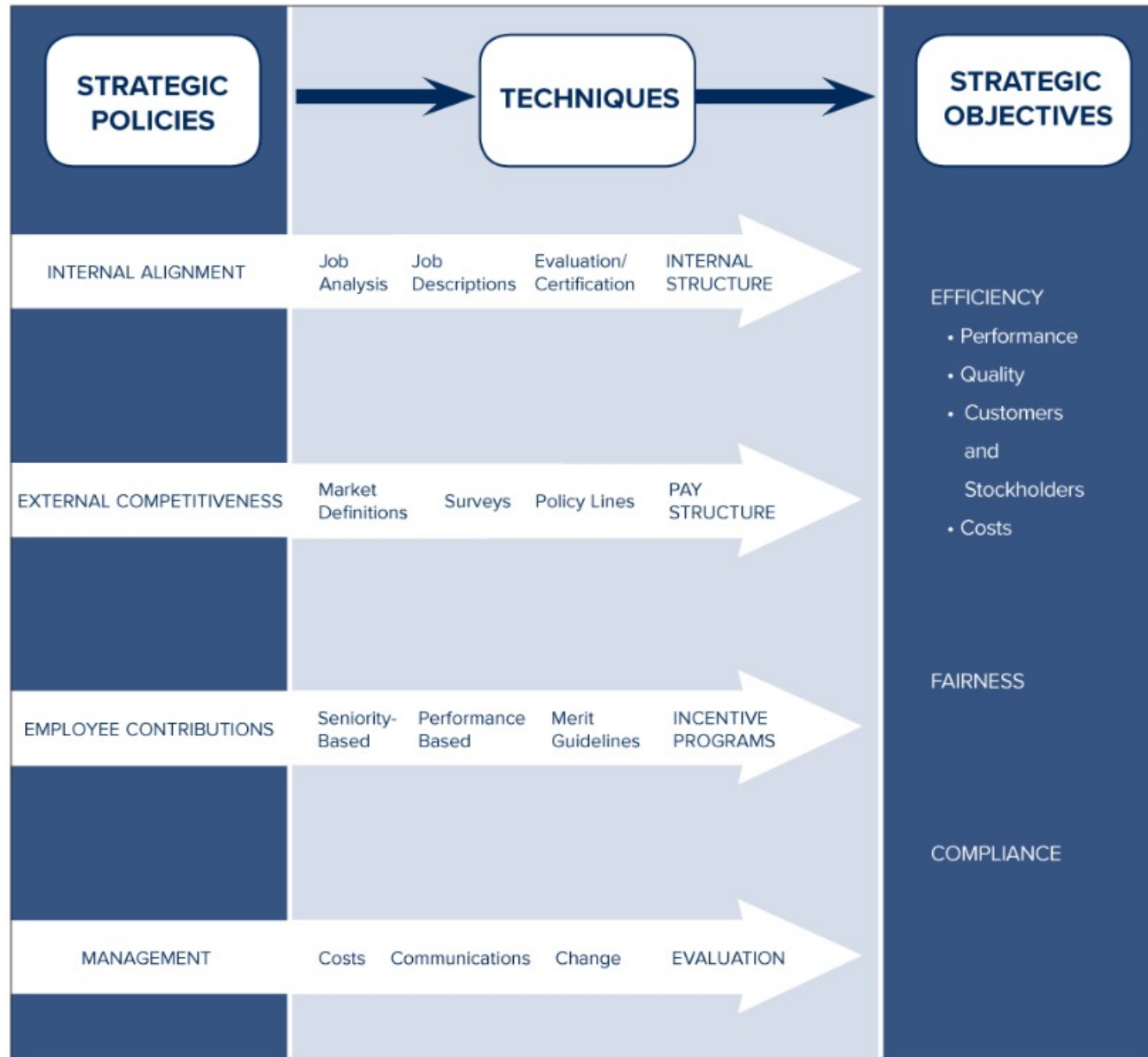
- ❑ Internal alignment refers to the pay relationships between jobs, skills, and competencies within a single organization.
- ❑ The factors that define internal pay structures are the number of levels, the pay differentials among the levels, and the criteria used to determine these levels and differentials.
- ❑ External and organizational factors shape internal pay structures.
- ❑ The strategic choices involved in designing internal pay structures are how closely to link pay structure to organization design and workflow, and how to distribute pay throughout the levels in the structure.
- ❑ Theoretical approaches include equity theory, tournament theory, and the institutional model.
- ❑ An internally aligned pay structure can help an organization achieve efficiency, fairness, and legal compliance.



Job Analysis



EXHIBIT 1.4 The Pay Model



Learning Outcomes

- ❑ Explain job analysis and why it has been called the cornerstone of human resources management.
- ❑ Describe the step-by-step approach to conducting conventional job analysis.
- ❑ Describe the information that must be collected for job analysis, and explain recent changes in how this information is collected.
- ❑ Discuss the differences between job descriptions and job specifications.
- ❑ Explain the pros and cons of job analysis and different ways to judge job analysis.

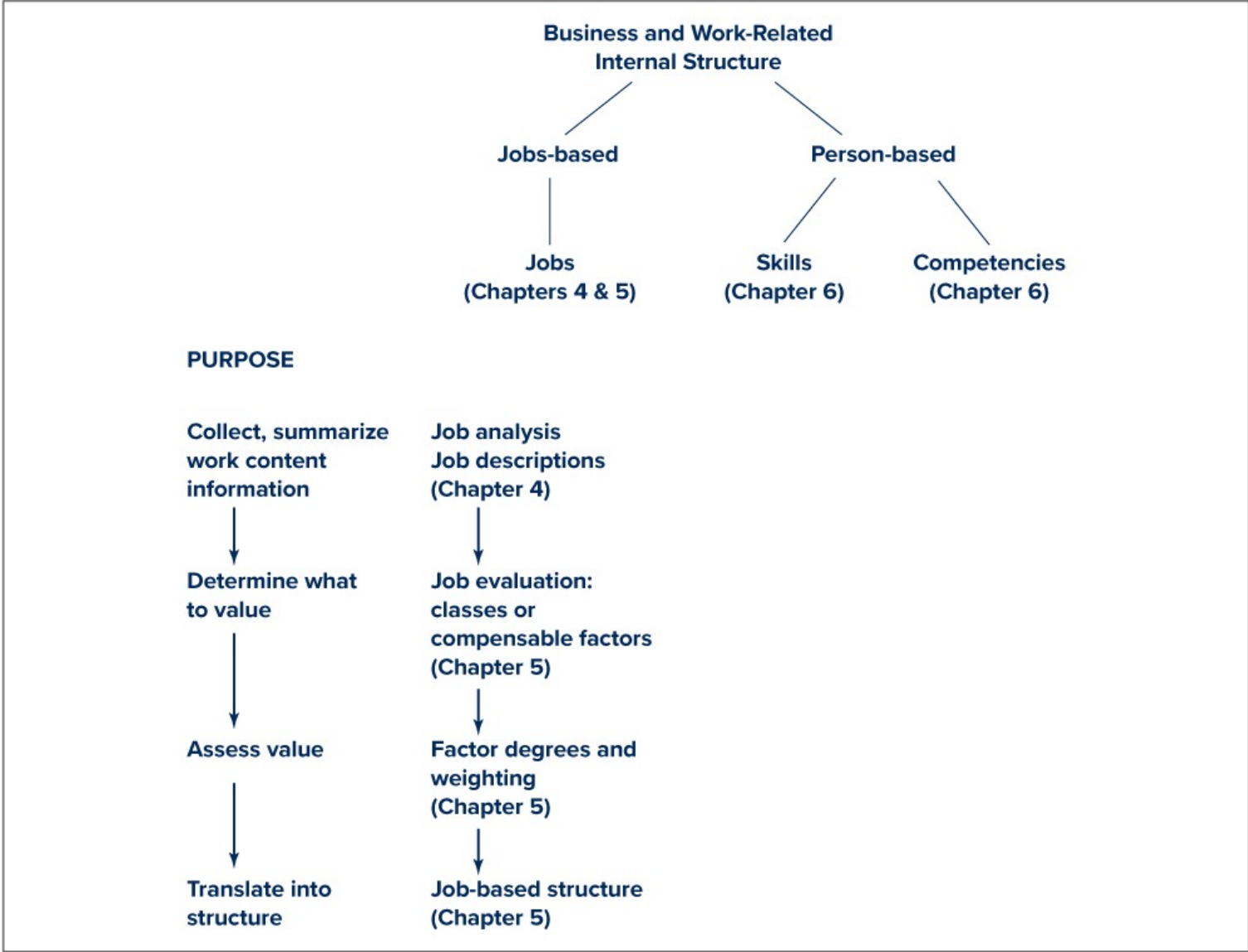
Structures Based on Jobs, People, or Both

- ❑ Job-based structures: look at what people are doing and the expected outcomes
- ❑ Skill- and competency-based structures: look at the person

The underlying purpose remains the same for both:

- ❑ Collect and summarize work content information that identifies similarities and differences.
- ❑ Determine what to value.
- ❑ Assess the relative value.
- ❑ Translate the relative value into an internal structure.

EXHIBIT 4.1 Many Ways to Create Internal Job Structure



Job Analysis

- the systematic process of collecting information about the nature of jobs.
- Involves the identification and description of what is happening on the job
 - required tasks, duties and responsibilities
 - required knowledge and skills
 - working conditions

Why Perform Job Analysis?

- ❑ Job analysis potentially aids every HR function.
- ❑ An internal structure based on job-related information provides a work-related rationale for pay differences.
- ❑ In compensation, job analysis has two critical uses:
 - ❑ it establishes similarities and differences in the work contents of the jobs, and
 - ❑ it helps establish an internally fair and aligned job structure.

EXHIBIT 4.2 Determining the Internal Job Structure

JOB ANALYSIS	→	JOB DESCRIPTIONS	→	JOB EVALUATION	→	JOB STRUCTURE
The systematic process of collecting information about jobs that identifies similarities and differences in the work.		Summary reports that identify, define, and describe the job as it is actually performed		Comparison of jobs within an organization		An ordering of jobs on the basis of their content or relative value
SOME MAJOR DECISIONS IN JOB ANALYSIS						
<ul style="list-style-type: none">• Why perform job analysis?• What information is needed?• How to collect information?• Who should be involved?• How useful are the results?						

EXHIBIT 4.3 Job Analysis Terminology

JOB FAMILY

Grouping of related jobs with broadly similar content; e.g., marketing, engineering, office support, technical.

JOB

Group of tasks performed by one person that make up the total work assignment of that person; e.g., customer support representative.

TASK

Smallest unit of analysis, a specific statement of what a person does; e.g., answers the telephone.

Similar tasks can be grouped into a task dimension; e.g., responsible for ensuring that accurate information is provided to the customer.

Information To Be Collected

- ❑ Related to the job:
 - ❑ Job Identification – includes job titles, departments, and the number of people who hold the job
 - ❑ Job content – elemental tasks or units of work, with emphasis on the purpose of each task

- ❑ Related to the Incumbent
 - ❑ Employee characteristics
 - ❑ Internal relationships
 - ❑ External relationships

Methods for Collecting Information

- ❑ Interviews
- ❑ Focus Groups
- ❑ Questionnaires
- ❑ Observation
- ❑ Journals and Diaries

Who Collects and Who Provides?

Who Collects?

- ❑ Human resource generalists and supervisors.
- ❑ Someone thoroughly familiar with the organization and its job.

Who Provides?

- ❑ Jobholders and supervisors.
- ❑ Subordinates and employees in other jobs that interface with the job under study.
- ❑ Number of incumbents from which to collect data varies with the stability of the job and ease of collecting the information.

What About Discrepancies?

- ❑ Collect more data and discuss discrepancies, asking for sign off on revised results.
- ❑ Disagreements can:
 - ❑ clarify expectations, learn a better way to do a job, and document how the job is performed.
- ❑ Support of top management, and union officials, is critical.

Outcomes of Job Analysis

Job description

- ❑ A written record of the tasks, duties, and responsibilities that make up a job.
- ❑ Identifies and describes the job title, job summary, relationships to other jobs.

Job Specification

- ❑ Specifies the knowledge, skills, and abilities necessary to perform the job.



More on Job Descriptions

- ❑ Use generic job descriptions to avoid starting from scratch or to cross-check externally.
- ❑ Descriptions of managerial/professional jobs are often more detailed – the job, its scope and accountability.
- ❑ It is very important to verify the description with jobholders and supervisors to make sure it is accurate and complete, note needed clarifications.



A Judgment Call

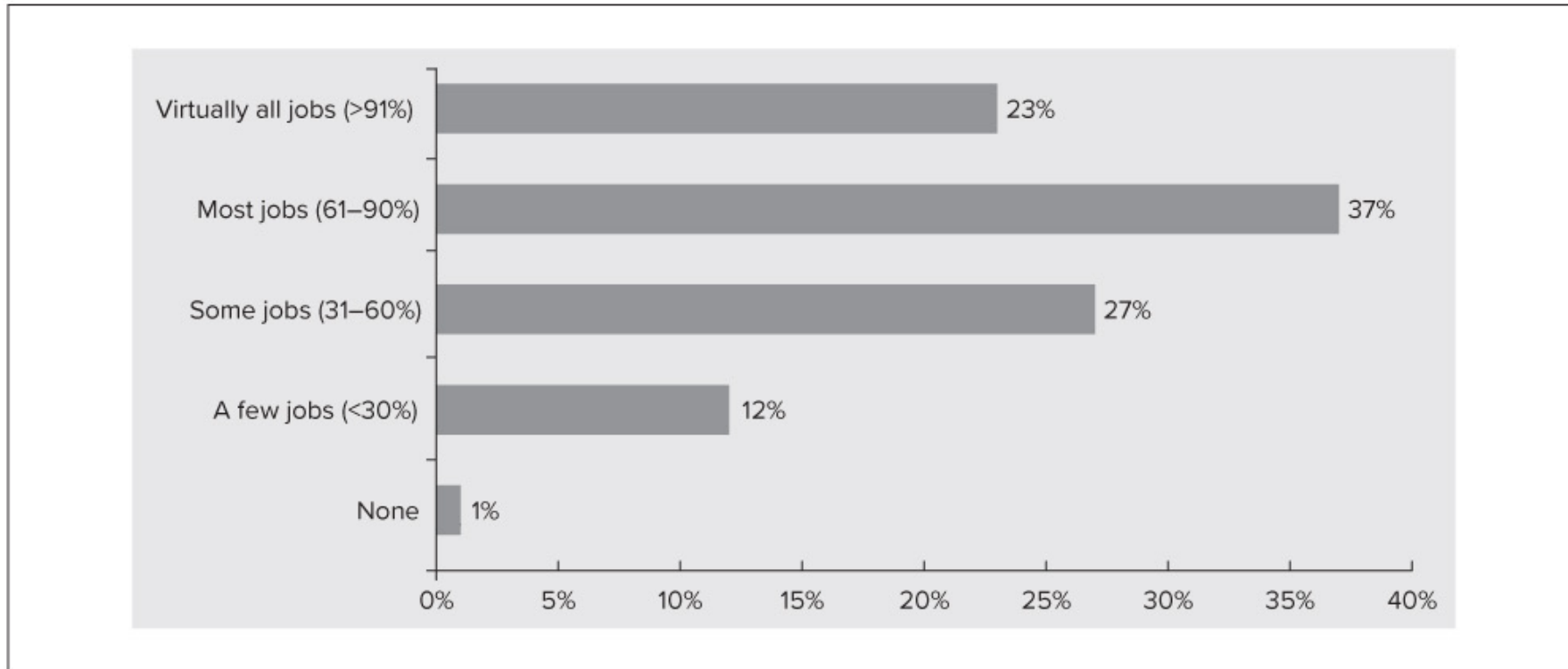
- ❑ Work-related information is needed to determine pay
- ❑ differences in work determine pay differences.
- ❑ The real issue should be: How much detail is needed to make these pay decisions?
 - ❑ enough to set pay levels, encourage continuous learning, increase the experience / skill of the work force, and minimize the risk of pay-related grievances.



Job Analysis: Bedrock or Bureaucracy?

- ❑ Employers are reducing jobs, cross-training employees so they can do a wider variety of tasks in order to increase productivity and reduce cost
- ❑ Traditional job analysis makes distinctions among levels of jobs and increases rigidity.
- ❑ Generic job descriptions can increase flexibility

EXHIBIT 4.13 Updated Job Descriptions: How Many Jobs in Your Organization Have Up-To-Date Position, Job, or Role Descriptions in Place?



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Job Analysis and Globalization

Offshoring

Refers to the movement of jobs to locations beyond a country's borders.

- ❑ Hourly compensation and productivity differ across countries.
- ❑ Availability of qualified workers and proximity to customers are considerations.
- ❑ Both low-skill jobs and white-collar jobs are at risk for offshoring.
- ❑ Managerial jobs and positions where local knowledge is essential are not as susceptible.

Judging Job Analysis

- ❑ Reliability: A measure of the consistency of results among various analysts/methods/ sources of data, or over time.
- ❑ Validity: Examines the convergence of results among sources of data and methods.
- ❑ Acceptability: Data and process must be acceptable to job holders and managers.
- ❑ Currency: The job information must be current.
- ❑ Usefulness: Refers to the practicality of the information collected, e.g. Can it be used for multiple purposes?

Summary

- ❑ Job analysis is the systematic process of collecting information about the nature of specific jobs.
- ❑ The steps to conventional job analysis include: develop preliminary job information, conduct initial tour of work site, conduct interviews, conduct second tour of work site, consolidate job information and verify job description.
- ❑ The information that must be collected for job analysis includes job identification data, job content data, and data on qualifications necessary to do the job. Conventional methods are being replaced by online quantitative questionnaires or inventories which are more objective and less time-consuming.
- ❑ Job descriptions summarize the tasks, duties, and responsibilities that make up a job. Job specifications list the knowledge, skills, abilities, and other characteristics necessary to perform the required job duties.
- ❑ The benefit of traditional job analysis is that it provides the basis for defensible job-related decisions and establishes a foundation for career paths. However, it is sometimes considered too rigid for today's more flexible organizations with fluid work assignments.
- ❑ Job analysis (both the process and the outcomes) has to be reliable, valid, acceptable, current and useful.



Case Study

- Describe the orchestra's pay structure in terms of levels, differentials, and job-based or person-based.
- Discuss the factors that may explain the structure. Why do the violinists and the violas get paid different amounts?
- Why do the Violinists get paid more than the oboist or trombonist? Is it that violins play more notes? Why does the principal trumpet player earn more than the principal cellist and clarinetist, but less than the principal viola and flute players? What explains these differences? How does the relative supply versus demand for violinists compare to the supply versus demand for trombonists?
- How well do equity and tournament models apply?