MERCEWebcast

MAXIMISING THE VALUE OF JOB EVALUATION

SEPTEMBER 8TH, 2015

David Wreford, Mercer, London
Principal
Mark Bonsels, Mercer, Frankfurt
Principal
TODAY’S SPEAKERS

David Wreford
Principal, London
European Workforce Rewards Practice Leader

Mark Bonsels
Principal, Frankfurt
Senior Workforce Rewards Consultant and Grading Expert
AGENDA
WHAT WE’LL COVER TODAY

• Market context: Is job evaluation being re-defined?
• Survey findings: What are they telling us?
• The benefits of job evaluation: How can they be leveraged further?
• Tips for maximising its value: What can you do?
• Q&A
MARKET CONTEXT
IS JOB EVALUATION BEING RE-DEFINED?
JOB EVALUATION RE-DEFINED?
THE DRIVE FOR CLARITY, CONSISTENCY, CONTROL, ... AND MORE?

- Global moves to strengthen HR governance
- Increasing role for HR/Reward to influence business outcomes
- Simplification of reward programmes and the harmonisation of global plans applied consistently
- Well managed and transparent reward structures, and line managers who are consistent advocates of rewards result in better employee perception of internal equity
- Emergence of analytics to inform the investment in HR programmes and measure ROI
- The need for greater integration of HR programmes, on a common foundation
SURVEY FINDINGS: WHAT ARE THEY TELLING US?
WHY A JOB EVALUATION SURVEY?
OBJECTIVE & SCOPE

What are the benefits and return on investment (ROI) from job evaluation?

- Can job evaluation help to position HR as a strategic advisor, supporting business decisions that need to be based, not just on Finance and Operations, but also on people?

- Does job evaluation really promote fairness, ensure consistency and help to control labour costs in a globalised environment?

- What are the key benefits of implementing job evaluation, for the business as well as the HR function?

Survey sections:

- Relevant employee group(s)
- Main benefits for an organisation
- Areas which derive most value add from job evaluation
- How job evaluation supports the overall business strategy
- Return on investment (ROI), grading efficiency and cost savings
- Quality and consistency of job evaluation results
Companies of all sizes participated in the survey....
EMPLOYEE SEGMENTS
JOB EVALUATION SUITABLE FOR ALL

• Job evaluation is mostly considered suitable for all employee segments.

• No company reported that it uses job evaluation solely for employees usually covered by a collective bargaining agreement.

Based on 130 responses.
*Covered by collective bargaining agreement
Main Benefits for Organisations
Support Broad Range of Business Themes and HR Programmes

• Nine out of ten respondents believe that job evaluation is fundamental for enabling positions to be compared both internally and externally.

• Three-quarters (72%) of respondents rank organisational alignment in the top five objectives of job evaluation, followed by transparency (65%), standardised and lean grading process (65%), and global application (54%).

• Participants rank the goal of controlling cost as important but with a lower degree.

**Based on responses from 130 entities.**

*Note: Organisations were asked to indicate top five answers; therefore, the total exceeds 100%.*
Most Value Added Areas in HR

Broad Use and Value Add Indicate the Emerge of More Integrated Programmes

• Traditionally, job evaluation adds value in the salary benchmarking process and compensation management, forming the foundation for comparisons across geographies and industries.

• But its relevance and use for other key HR processes and services such as recruitment, development and succession planning are recognised.

Based on responses from 130 entities.
Note: Organisations were asked to indicate top three answers; therefore, the total exceeds 100%.
Other includes: internal equity; global consistency; international transfers; critical perspective on internal organisations; recruitment and development; objective comparison across functions and operating companies; annual performance interview, and, consequently, development and talent management.
Job evaluation is a key HR management tool, helps in many ways to support the overall business strategy and decision making:

- According to 81% of participants, job evaluation supports business strategy by supporting uniformity and consistency.
- Strategic workforce planning ranks second (65%), followed closely by aligned resource planning (62%).

Based on responses from 128 entities.

Note: Organisations were asked to indicate top three answers; therefore, the total exceeds 100%.
Global consistency is one of the key objectives of implementing job evaluation. Our survey results demonstrate that job evaluation helps to a great extent in creating a common language for defining jobs across businesses and geographies, and maintaining consistency in job and title structures.
The majority of respondents either strongly agree or agree that implementing job evaluation has paid off in reducing the risk of misallocating resources and ensuring an optimal ROI in people.

This result provides hard evidence for good reasoning and a strong business case.

The table shows the percentage of organisations based on 130 responses:

<table>
<thead>
<tr>
<th>Percentage of Organisations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree or Agree</td>
<td>67%</td>
</tr>
<tr>
<td>Neither Agree nor Disagree</td>
<td>26%</td>
</tr>
<tr>
<td>Disagree or Strongly Disagree</td>
<td>7%</td>
</tr>
</tbody>
</table>

Based on 130 responses.
The majority of respondents (~80%) report that it takes up to three years to realise a job evaluation project’s ROI.

Based on 117 responses.

Note: The total does not equal 100% due to rounding.
RETURN ON INVESTMENT
LENGTH OF GRADING PROCESS

• The length of the grading process is significantly reduced by using a job evaluation system.

• The process is improved significantly due to a robust and consistent approach and tools with less resources involved.

• The proportion of organisation who complete the process in less than three days has more than doubled. The proportion of organisations who need more than four weeks has reduced by two-thirds.

BEFORE IMPLEMENTING JOB EVALUATION

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 days</td>
<td>16%</td>
</tr>
<tr>
<td>3 - 5 days</td>
<td>18%</td>
</tr>
<tr>
<td>1 week &lt; 2 weeks</td>
<td>26%</td>
</tr>
<tr>
<td>2 weeks &lt; 3 weeks</td>
<td>11%</td>
</tr>
<tr>
<td>3 weeks &lt; 4 weeks</td>
<td>9%</td>
</tr>
<tr>
<td>More than 4 weeks</td>
<td>20%</td>
</tr>
</tbody>
</table>

AFTER IMPLEMENTING JOB EVALUATION

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 days</td>
<td>38%</td>
</tr>
<tr>
<td>3 - 5 days</td>
<td>22%</td>
</tr>
<tr>
<td>1 week &lt; 2 weeks</td>
<td>17%</td>
</tr>
<tr>
<td>2 weeks &lt; 3 weeks</td>
<td>12%</td>
</tr>
<tr>
<td>3 weeks &lt; 4 weeks</td>
<td>4%</td>
</tr>
<tr>
<td>More than 4 weeks</td>
<td>7%</td>
</tr>
</tbody>
</table>

Based on 97 responses.  
Based on 114 responses.
• Job evaluation allows for job grading process costs primarily due to a defined global governance that includes an improved grading process, technology, and tools. It also provides a clear definition of roles and responsibilities, which leads to less resources involved in job evaluation and grading.

• Companies that achieved cost savings after implementing job evaluation, close to one-third achieved cost savings of over 10%.
Job evaluation plays a crucial role in supporting the design of reward packages.

Nearly all (96%) respondents either strongly agree or agree that job evaluation supports reliable compensation and benefits decisions.

Only 3% are neutral, and 1% disagree.

<table>
<thead>
<tr>
<th>Percentage of Organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree or Agree</td>
</tr>
<tr>
<td>Neither Agree nor Disagree</td>
</tr>
<tr>
<td>Disagree or Strongly Disagree</td>
</tr>
</tbody>
</table>

Based on 128 responses.
For eight out of 10 respondents, effective job evaluation has helped achieve labour cost savings.

Three-quarters (75%) of participants claim savings of up to 3% of labour costs when designing reward packages by using job evaluation.

Eleven percent of respondents achieved cost savings of more than 5%.

Based on 108 responses.

Based on 90 responses.
RETURN ON INVESTMENT
INITIAL LABOUR COST SAVINGS OBSERVED (WITHIN THE FIRST YEAR)

- 7% of participants claim they achieve savings in the first year of implementing a job evaluation system.

- For the majority (88%) of respondents, the implementation of job evaluation did not increase or decrease labour costs within the first year.

- Labour cost savings become substantial in the subsequent years due to provision of a structured and consistent approach to the annual compensation review.

Based on 107 responses.
THE BENEFITS OF JOB EVALUATION
HOW CAN THEY BE LEVERAGED FURTHER?
HOW JOB EVALUATION CAN IMPROVE DAY-TO-DAY BUSINESS AND OPERATIONS (1/2)

• Job evaluation is at the core of all HR processes and allows an open and transparent communication process with employees:
  – It gives a clear benchmark for global and regional reporting to accurately assess the size/strength of the organisation.
  – Job evaluation improves common global understanding of “relative” job levels across countries and regions.
  – Job evaluation supports a persuasive argument when discussing organisational structures and job levels, and involves managers, letting them understand how jobs can be made comparable.
  – It allows us to build systems on common tools and policies due to common agreement.
  – With job evaluation, it is possible to have a strategic discussion within management on workforce investment and competence gaps.
  – For a global organisation, job evaluation has become a common language. Managers, as well as HR, require benchmark analysis for their decision making process when recruiting and performing compensation reviews. It is very important and appreciated in the recruiting process.
  – It improves HR’s reputation (more influential).
HOW JOB EVALUATION CAN IMPROVE DAY-TO-DAY BUSINESS AND OPERATIONS (2/2)

- Mobility / Job Rotation
  - Framework for international employee mobility providing clarity across businesses, functions as well as regions
- Organisational Design
  - Better understanding of existing organisational models at the company
- Resourcing
  - Increased visibility on jobs that are in the process of resourcing
- Compensation
  - Structured approach and relationship between job content and pay, as well as better insight on external pay practices
- Development / Succession Planning
  - Consistent approach in succession plans analysis
- Recruitment
  - Framework to launch a recruitment process on job and position levels in the organisation

IPE Job Evaluation
TIPS FOR MAXIMISING JOB EVALUATION VALUE
WHAT CAN YOU DO?
TIPS FOR MAXIMISING JOB EVALUATION VALUE AREAS FOR IMPROVEMENT

• The following have been identified as areas where companies state they are sub-optimal in relation to job evaluation:

  – **Communication**: Gain awareness, understanding and acceptance of all stakeholders involved

  – **Governance**: Understand that governance is more than just a process. It should include a detailed description of
    - Job evaluation / grading principles and rules
    - Process
    - Roles and responsibilities
    - Methodology and tools

  – **Job evaluation / grading expert**: Keep the ‘big picture’ in mind and talk ‘business’ to justify results

  – **Training / certification**: Establish one common training and certification process globally

  – **Job architecture and reference jobs**: Leverage evaluation results and/or define standards, if reasonable
Q & A

Please type your questions in the Q&A section of the toolbar and we will do our best to answer as many questions as we have time for.

To submit a question while in full screen mode, use the Q&A button, on the floating panel, on the top of your screen.

CLICK HERE TO ASK A QUESTION TO “ALL PANELISTS”

QUESTIONS

FEEDBACK

Please take the time to fill out the feedback form at the end of this webcast so we can continue to improve. The feedback form will pop-up in a new window when the session ends.