

Performance And Reward Management
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Lecture - 40

Valuing and grading jobs, understanding pay levels, job evaluation schemes, equal pay, market rate analysis, designing of grade and pay structure (Contd.)

Welcome to the topic on Valuing and grading jobs, understanding pay levels, job evaluation schemes, equal pay market rate analysis, designing of grade pay and pay structure.

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Today, we will discuss on the concepts of market rate analysis, grade and pay structures.

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Market rate analysis

- It is conducted to determine what comparable organizations are offering to their employees in form of remuneration.
- It serves as the basis for designing compensation policies in an organization.
- It helps a company to be competitive in terms of pay scales.

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So, what market rate analysis is important like; we have already discussed about the different theories guiding like pay structure. We have also discussed about the different ways of doing a job evaluation, in terms of point methods, factor methods, analytical, matching methods and the non analytical methods also in terms of ranking in terms of paired comparisons.

But it is also very important like in order to do the balance between the internal equity and external equity like; whether we should be focused more towards the market side or will be focused into bring equity in the internal side or it should be a balance between, we try to keep a balance between external equity and internal equity these are the decisions that need to be taken while we are designing for the pay.

And while we are talking of maintaining the external equity, it is very important that we know like, what others of companies, other companies are paying. A similar nature of companies in the, who are comparable organizations are paying in the similar kind of industry.

So, that we understand what others are doing maybe what is the established norm and then we take our decision based on the strategy that we may define for ourselves like; whether to pay at par the market rate or if you are guided by the efficiency wage theory, should we go above the market rate.

So, these are decisions, which needs to be taken so that we know like in order to remain competitive, we have to study what others are doing. So, for that it is very important to understand or to do a market rate analysis. In market rate analysis it is conducted to determine what comparable other organizations are doing and also it in terms of like and we are giving to their employees in terms of remuneration and it also serves as a basis for the compensation policies to be decided in an organization and of course, like it helps the company to be competitive in terms of pay skills.

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Understanding .. What is a Market rate?

There is no definitive thing as a market rate.

Market rates vary substantially in local and national markets.

Market rate analysis is unlikely to provide an organization with a standard rate

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Now when we talk of what is market rate actually there is no definitive term or thing, which is noted as a market rate. So, it varies substantially in the local and in the national markets. So, in that case like it is very unlikely, the market rate is going to provide an organization with a standard rate that is equivalent everywhere, because as for the demand and supply theory that we have already discussed earlier where demand is more and the supply is less maybe the market rate goes higher, when the supply is more and the demand is less than the market rate of the labourers which are the wages to be paid goes down.

So, and that may vary locally and in the national markets also. So, we cannot tell like it is there is a something which is equal overall, but it may have some local and national phenomena.

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The result of a market rate survey is often what is called a 'derived rate', which is a judgement on what appears to be a reasonable rate made on the basis of an analysis of the data obtained from a number of sources.



So, what we get to understand from a market rate survey like it is a derived rate that we get, it is a derived rate. So, which is a perception of what appears to be a reasonable rate based on the analysis of the data from a number of sources that we get. Maybe, we get it from different types of companies we see like what generally is paid and then we find out if that is a general rate that is being paid by everyone, maybe that is a reasonable rate to like where we can tell like we want to be in this rate.

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Objectives of Market rate analysis

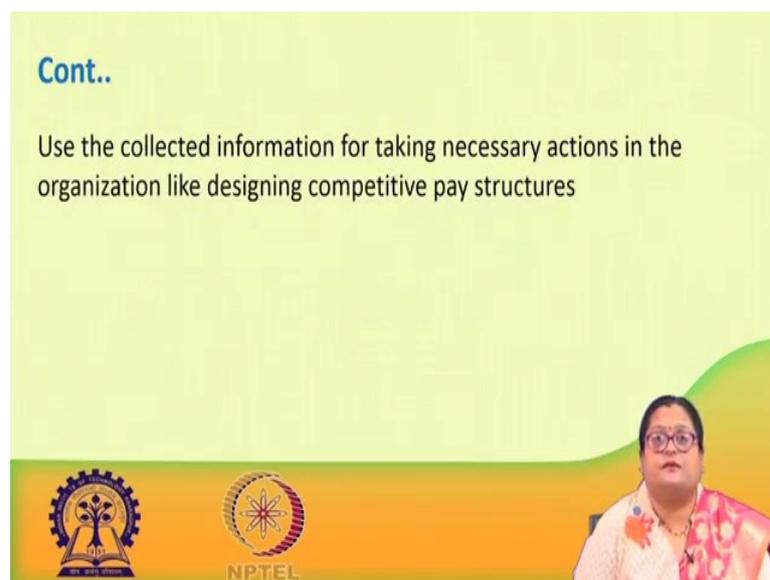
- To collect relevant, important and useful information on market rate.
- Carry out a comparison in terms of jobs and profiles either organization wise or regional wise
- Obtaining up to date information on what competitors are offering.



Now, then what are the objectives of market rate analysis is to, for it, it is very important to collect relevant data, useful data and information on market rate. So, collection of data is very important over here. So, and then what we can do, if we have to make a comparison we have to decide like whether we are doing job wise, organization wise or like the region wise.

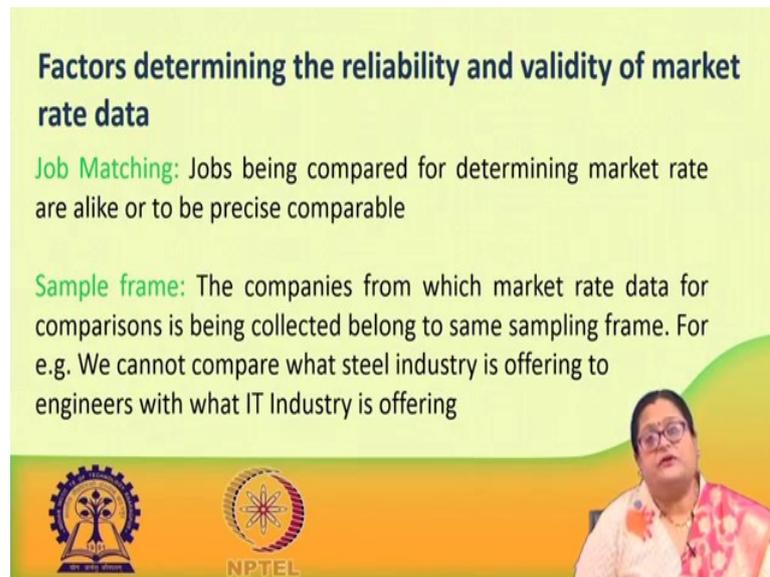
So, you have to decide the sub section based on which we are going to compare the market rate. So, in comparisons what is done, in terms of jobs and profiles either we compare it organization wise or in a region what is generally paid respective of the organizations for a particular kind of job and profile. And it is very important to get an updated information of what competitors are offering, but due to the pays secrecies and maybe less lack of transparency sometimes, it is very hard to get these data also.

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Now, the collected information for is used for taking necessary actions in the organizations like; designing a competitive pay structures.

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Factors determining the reliability and validity of market rate data

Job Matching: Jobs being compared for determining market rate are alike or to be precise comparable

Sample frame: The companies from which market rate data for comparisons is being collected belong to same sampling frame. For e.g. We cannot compare what steel industry is offering to engineers with what IT Industry is offering

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When we are talking of the market rate data, it is very important that we collect the data properly and for collecting the data properly, because we are drawing a comparison, we have to understand we are comparing jobs which are similar or alike in nature. For that the first important point that is important is job matching. So, jobs which are being compared for determining the market rate are like; needs to be alike in nature or needs to be comparable based on the factors that they share or the points of the different competencies that they share.

Next important thing is; when you are trying to draw the comparison then what is the sample frame. So, we have to understand like, the data that are collected from companies about for from which we are going to determine the market rate should be in the same sampling frame. So, suppose example like; if we are trying to find out the market rate for a steel industry and so, we cannot compare it to it what the engineers are getting paid in an IT industry. So, industry wise maybe we have to make a comparison and within the industry also the nature of the organization.

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Timing: It should be made sure that the data collected is up to date or can be updated reliably.

In case the data collected is very old, the whole exercise will be pointless.

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We have to understand the timeliness of the data also that just become called timing. It needs to be like updated and it can be updated reliably. So, collecting very old data does not make any sense, because like there may have been remissions in the particular organizations and if you do not know like what are the revisions made the revised rates, they will not get the current market rate.

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Concerns in Market rate analysis – Job matching

Inadequate job matching is indeed a major cause of job inaccuracies.

It is indeed important to avoid ambiguous job comparisons.

It is necessary to ensure that a job match is assured before jobs are compared for market analysis.

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Now, these are really like when you talk of it, it is maybe easy to say or think like, it is easily done, but it is not so, easy to collect data about the market rate. So, now, let us see

that what are the concerns which are there in market rate analysis starting with the job matching. So, as we said inadequate job matching is a major cause of job inaccuracies. So, it is important that we avoid ambiguous job comparisons. So, for that we have to compare jobs, which have been classified well based on job evaluation techniques.

So, it is important to ensure a job match is assured, before jobs are compared for market analysis, based on again the different job evaluation methods that we have.

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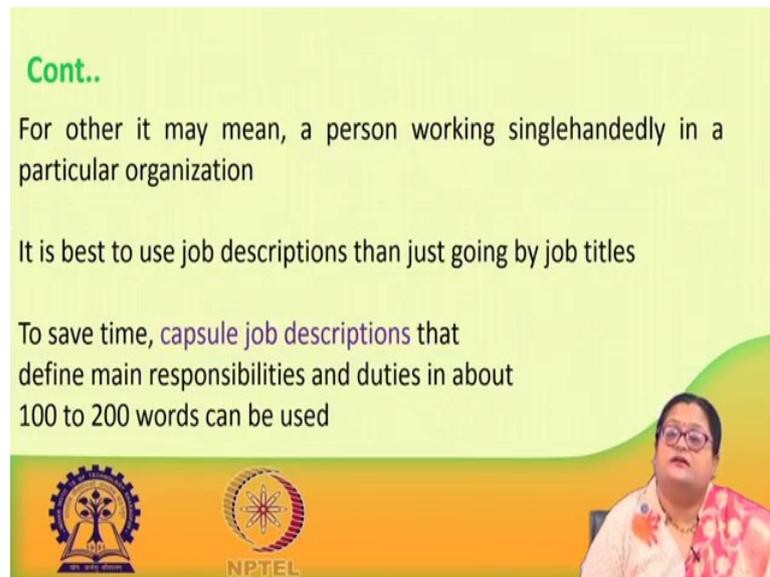
The companies should not merely use job titles for comparisons as though the job titles may look similar, other things might be completely different

For e.g. For one organization manager may mean a person supervising a team

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So, a point of caution over here is that like, the merely the job people should not make a comparison based on merely the job titles, but somewhere it may happen like the job titles may look similar, but the other things could be different. So, like when you talk of a manager, for one organization a manager may mean a person, supervising a team and for maybe an another organization it may mean a person working single handedly in a particular organization.

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For other it may mean, a person working singlehandedly in a particular organization

It is best to use job descriptions than just going by job titles

To save time, **capsule job descriptions** that define main responsibilities and duties in about 100 to 200 words can be used

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So, we have to see like whenever we are talking of a particular comparing a particular job we have to study the whole job description as given in job analysis and compare jobs based on job evaluation. We should not go merely by the title of the job and try to make the comparison.

So, if you are working alone and you are told you are a manager in comparison to if you are leading a team, where you have to deal with a number of people, in interpersonal relationships, then you have to maybe coach them, council them. So, these are added like variables to the job as compared to that you are working singlehandedly. So, though the two terms managers are same, but they have been used in two different ways in the organizations. So, these needs to be taken care of.

So, as we are telling, it is best to go by job descriptions rather than by job titles. So, for doing that what we can do is to go well by a capsule job description, which defines the main responsibilities and duties in hundred to two hundred words can be used.

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Sources of Data

Primary sources: Conducting surveys to collect data

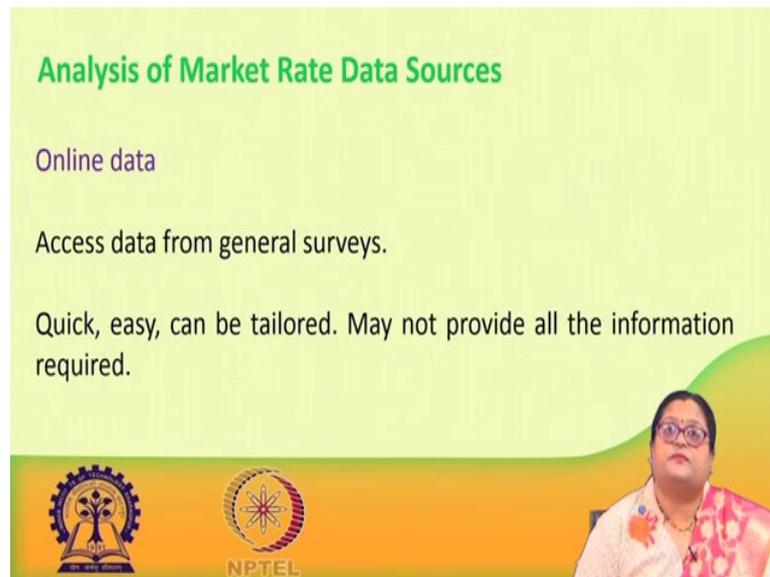
Secondary sources: Published surveys, consultants data bases, Recruitment advertisements

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Now, another point of concern could be like the sources of data; sources of data can be of two types. When you talk of primary sources, it is collecting surveys to collect conducting surveys to collect data. When we talk of secondary sources it is the published surveys consultants, databases, recruitment, advertisements that we get to like collect data about job descriptions.

You can also refer to the site of O star net where we can talk of like, you can visit the site of O star net where you get a different job descriptions, competencies of comparable jobs given and it is a very useful site to compare the job descriptions.

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Analysis of Market Rate Data Sources

Online data

Access data from general surveys.

Quick, easy, can be tailored. May not provide all the information required.

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When we talk of analysis of market data sources, it shows like if you are taking online data so, it helps to access data from the general sources. It is easy can be tailored, but may not provide all the information required.

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General national published surveys

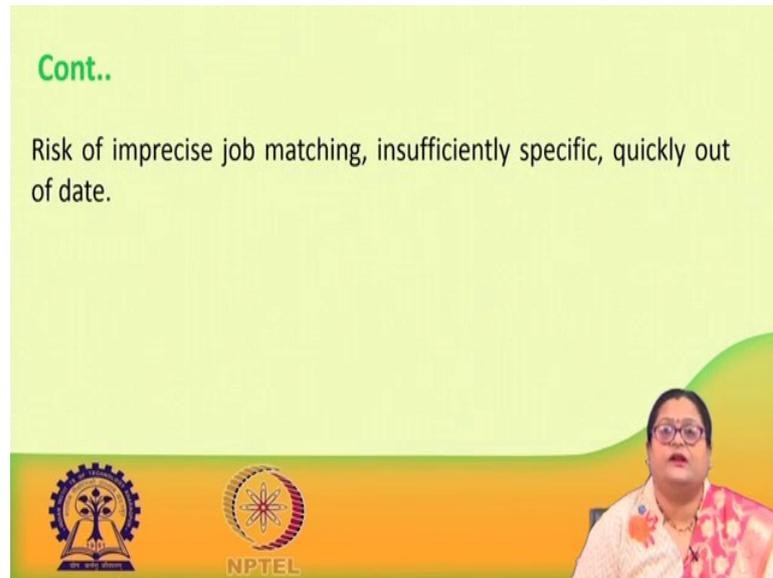
Available for purchase – provide an overall picture of pay levels for different occupations in national and regional labour markets.

Wide coverage, readily available, continuity allows trend analyses over time, expert providers.

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If we are collecting data from general national published surveys so it is available for purchase, it is provide an overall picture of pay levels for different occupations in national and regional labor markets. So, it is like, it gives a wide coverage, readily available, continuity allowed like the trend analysis, over time and expert providers.

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Risk of imprecise job matching, insufficiently specific, quickly out of date.

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So, risk of, but it could grand the risk of imprecise job matching, in sufficiently specific quick and out of date. These may happen.

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Local published surveys

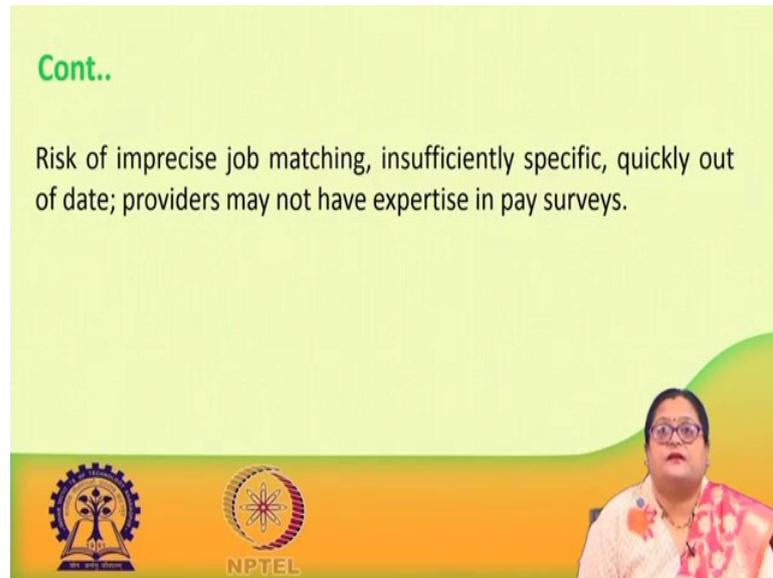
Available for purchase – provide an overall picture of pay levels for different occupations in the local labour market.

Focus on local labour market, especially for administrative staff and manual workers.

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When we talk of local published surveys, these are available for purchase, provides an overall picture of pay levels for different occupations in the local labour market. So, as it focuses on the local labour market specially, for administrative staff and manual workers.

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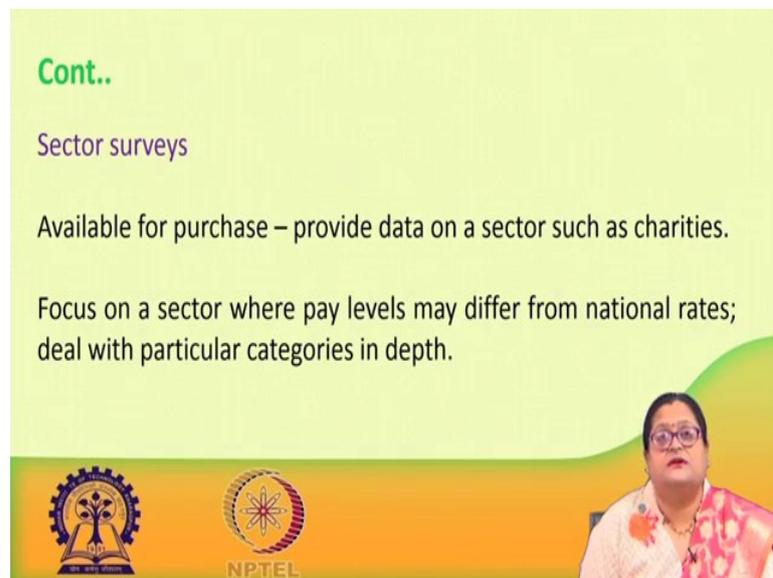
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Risk of imprecise job matching, insufficiently specific, quickly out of date; providers may not have expertise in pay surveys.

The slide features a light green background with a yellow-to-green gradient at the bottom. On the left, there are two circular logos: the first is the logo of Anna University, and the second is the NPTEL logo. On the right, there is a small video inset of a woman with glasses and a pink patterned top.

Also there could be the risk of imprecise job matching, insufficiently specific, quickly out of date and it may so happen like the providers may not have expertise in pay surveys.

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Sector surveys

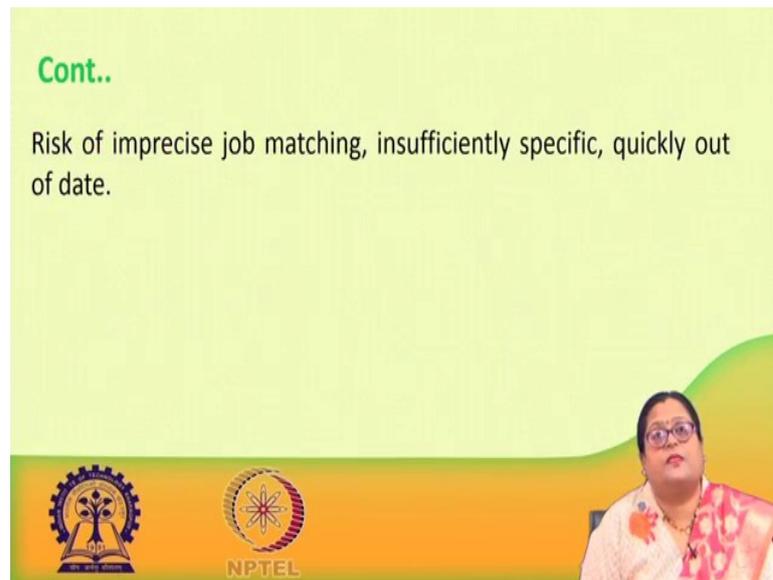
Available for purchase – provide data on a sector such as charities.

Focus on a sector where pay levels may differ from national rates; deal with particular categories in depth.

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Sector surveys are another source from where we get data for comparison of market rates. So, it is again available for purchase provide data on sectors such as charities and others. So, focus on sectors, where pay levels may differ from national rates, deal with particular categories in depth.

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Risk of imprecise job matching, insufficiently specific, quickly out of date.

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Again, it could run the risk of imprecise job matching, insufficiently specific and quickly out of date.

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Industrial/ occupational surveys

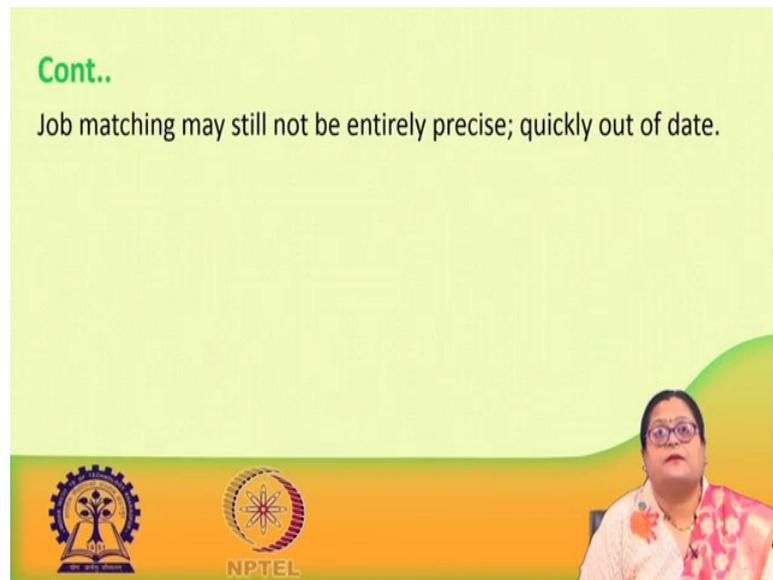
Surveys, often conducted by employer and trade associations on jobs in an industry or specific jobs.

Focus on an industry; deal with particular categories in depth; quality of job matching may be better than general or sector surveys.

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Industrial or occupational surveys are like, surveys often conducted by employer and trade associations on jobs in an industry for specific jobs. Focuses on an industry; deal with particular categories in depth; quality of job matching may be better than sector or general surveys.

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Job matching may still not be entirely precise; quickly out of date.

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Job matching may still not be very precise and quickly out of date.

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Management consultants' databases

Pay data obtained from the databases maintained by management consultants. Based on well-researched and matched data.

Often highly tailored to specific market segments.

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Management consultants databases. So, pay data obtained from the databases maintained by management consultants, based on well researched and matched data, often highly tailored to specific market segments.

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Only obtainable from specific consultants and often confidential to participants. Can be expensive.

Surveys, often conducted by employer and trade associations on jobs in an industry or specific jobs.

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It is only obtainable from specific consultants and often confidential to participants it can be expensive. So, surveys are often conducted by employer and trade associations on jobs in an industry or specific jobs.

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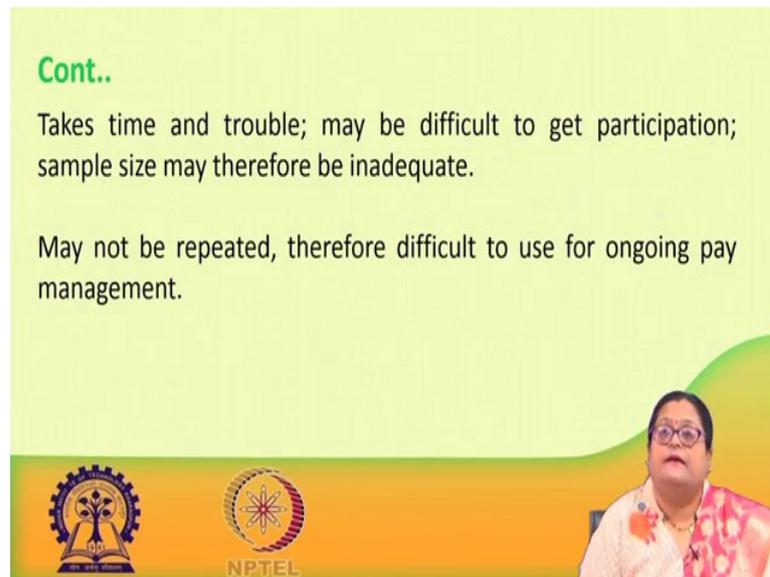
Special surveys

Surveys specially conducted by an organization. Focused, reasonably good job matching, control of participants, control of analysis methodology.

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Special surveys are surveys specially conducted by an organization. On it is a focused reasonable job good job matching, control of participants, control of analysis methodology is there.

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Takes time and trouble; may be difficult to get participation; sample size may therefore be inadequate.

May not be repeated, therefore difficult to use for ongoing pay management.

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However, it takes time and trouble; may be difficult to get participation sample size may be inadequate. It may not be repeated, therefore it is difficult to use for ongoing pain management.

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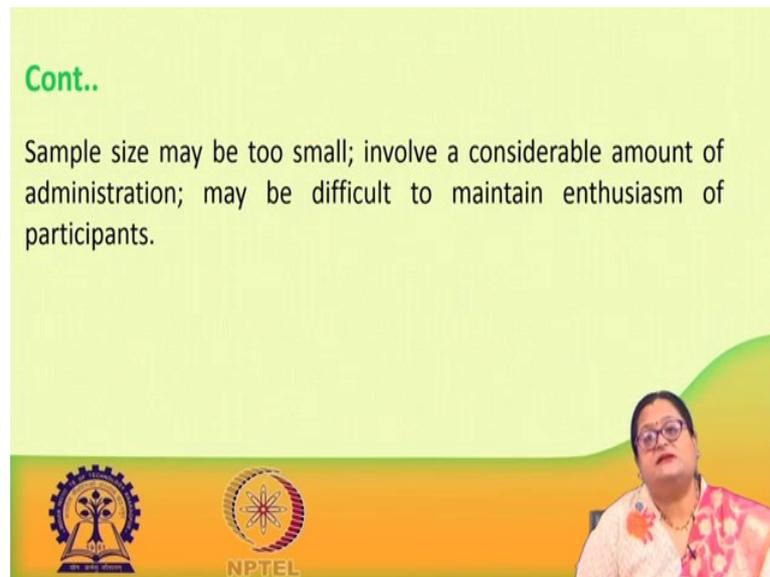
Pay clubs

Groups of employers who regularly exchange data on pay levels. Focused, precise job matching, control of participants, control of analysis methodology, regular data, trends data, more information may be available on benefits and pay policies.

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Pay clubs; so, these are clubs where groups of employers regularly exchange data on pay levels, focused, precise job matching, control of participants, control of analysis methodology, regular data, trends data, more information may be available on benefits at pay policies.

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Sample size may be too small; involve a considerable amount of administration; may be difficult to maintain enthusiasm of participants.

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However, sample size may be too small; involve a considerable amount of administration; may be difficult to maintain the enthusiasm of the participants.

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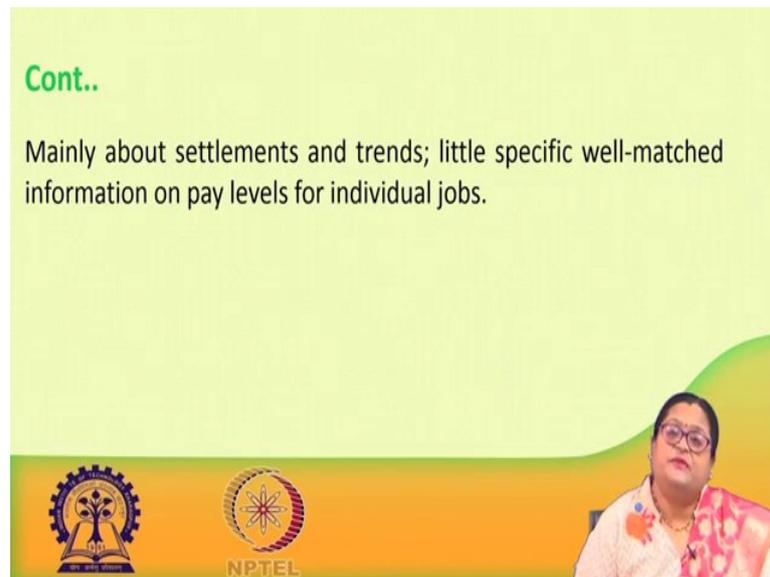
Published data in journals

Data on settlements and pay levels available from IDS or IRS, and on national trends in earnings from the New Earnings Survey. Readily accessible.

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Next comes the published data in journals. So, these are data on settlements and pay levels available from IDS or IRS and on national trends in earning from the new earnings survey, which is again readily accessible.

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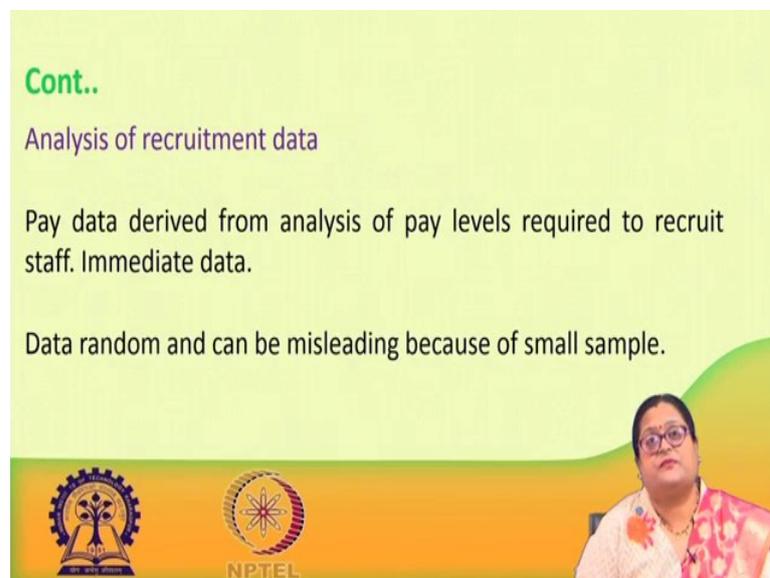
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Mainly about settlements and trends; little specific well-matched information on pay levels for individual jobs.

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It is mainly about settlements and trends; little specific, well matched information and on pay levels for individual jobs.

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Analysis of recruitment data

Pay data derived from analysis of pay levels required to recruit staff. Immediate data.

Data random and can be misleading because of small sample.

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Another source is analysis of recruitment data pay data derived from analysis of pay levels required to recruit staff, which is an immediate data. Data could be random and be misleading, because of small sample, could be again misleading if the applicants inflate their salary history or if data geared to recruitment salaries.

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Can be distorted if applicants inflate their salary history or if data geared to recruitment salaries



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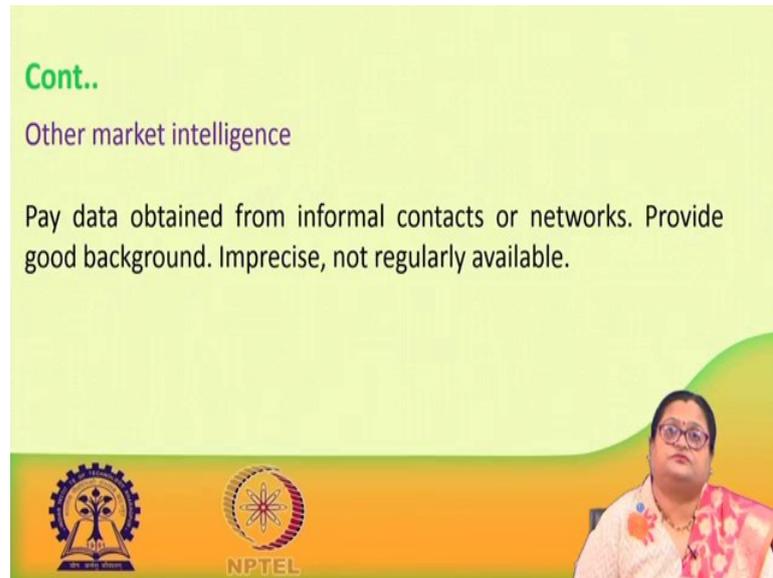
Job advertisements

Pay data obtained from job advertisements. Readily accessible, highly visible (to employees as well as employers), up to date. Data can be quite specific for public and voluntary sector roles. Job matching very imprecise; pay information may be misleading.



Next important source is that of job advertisements, the pay data obtained from job advertisements. It is readily accessible, highly visible to employee as well as employers and up to date. So, data could be quite specific for public and voluntary sector jobs. Job matching is; however, imprecise pay information may be misleading also.

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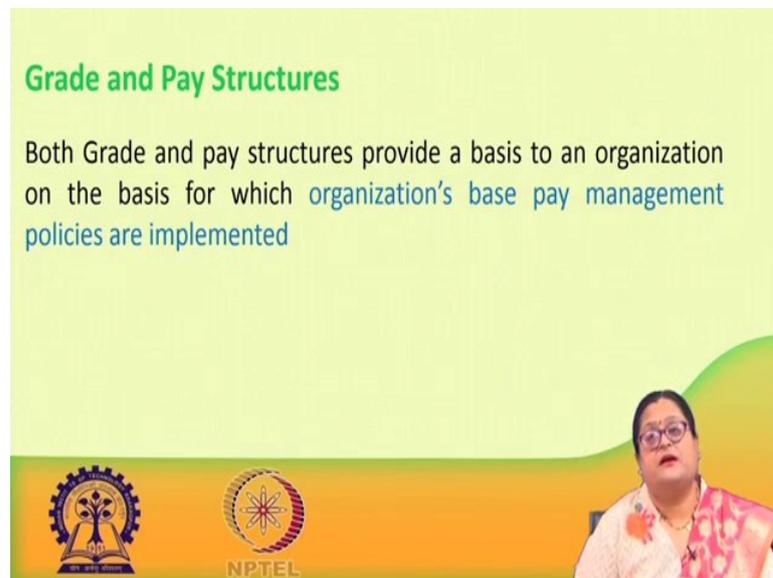
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Other market intelligence

Pay data obtained from informal contacts or networks. Provide good background. Imprecise, not regularly available.

The other market intelligence sources like pay data obtained from informal contacts or networks. Provide good background, but it is imprecise and not regularly available.

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Grade and Pay Structures

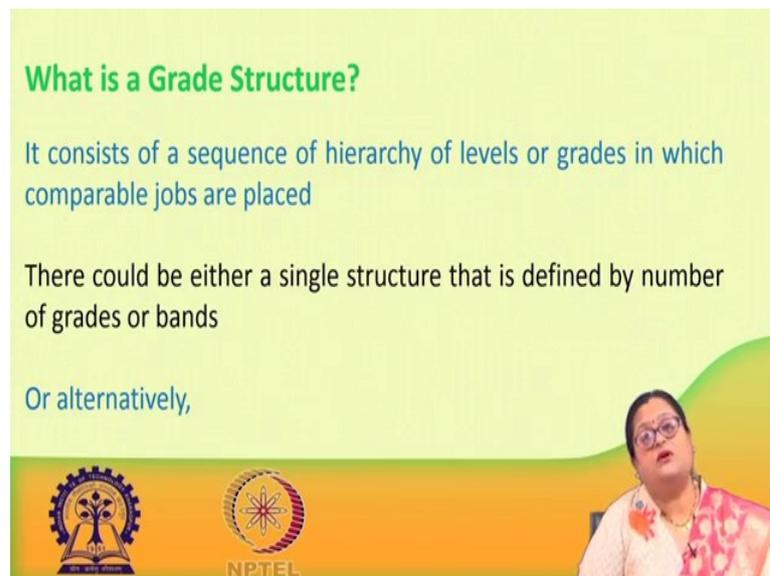
Both Grade and pay structures provide a basis to an organization on the basis for which organization's base pay management policies are implemented

Now, after we have discussed about this market rate analysis so, it helps to get an eye and the data sources that we get for the market rate analysis and the pros and cons of the each of the data sources. And then it helps us to decide on which is the data source that you are going to use for the market rate analysis, that we will be using for our company, where they will be look in to the industry, where they will be looking into the sector,

where they will be looking into the region specific data, where from and also like where we are going to source it from do you take it from the management consultants or you take it from the general published reports or you take it from organization specific reports.

Choice lies on what we want to do and how we want to make the comparison? What you have discussed over here, the different sources available and the pros and cons of it. Now, when we talk of these sources and when we collect data, these helps us to determine the grade and pay structures. Now, what are grades and pay structures are it provides a basis to an organization, on the basis for which organization's base pay management policies are implemented.

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What is a Grade Structure?

It consists of a sequence of hierarchy of levels or grades in which comparable jobs are placed

There could be either a single structure that is defined by number of grades or bands

Or alternatively,

The slide also features the logos of IIT Bombay and NPTEL, and a small video inset of a woman in the bottom right corner.

What is a grade structure? So, it consists of a sequence of hierarchy of levels or grades in which comparable jobs are placed. So, we were talking of job evaluation, we were talking of the again the points method and the factor methods. So, based on this a hierarchy of job is established so and in which like the comparable jobs could be placed.

So, there could be either a single structure that is defined by a number of grades of bands or alternatively, jobs are divided into number of carriers or job families combining a group of jobs, where the nature of the work may be similar, but jobs are carried out at different levels.

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Jobs are divided into a number of career or job families combining a group of jobs where the nature of work may be similar but jobs are indeed carried out at different levels

The slide features a light green background with a yellow and orange gradient at the bottom. On the left, there are two circular logos: the first is the Indian Institute of Technology (IIT) logo, and the second is the NPTEL logo. On the right, a woman with glasses and a pink patterned top is visible, appearing to be speaking or presenting.

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Main types of Grade Structures

Narrow-graded structures - consist of a **sequence** of narrow grades (10 or more), also called multi-graded

Broad grade structure: have fewer grades, six to nine

Broad-banded structures: consist of a limited number of grades or bands (often four or five).

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There are three main types of grade structures like narrow graded structure, which consists of a sequence of narrow grades ten or more also called multi graded. Broad grade structure have fewer grades six to nine broad banded structures consist of a limited number of grades or bands often four to five. So, in narrow graded what you see more of hierarchies and in types of like and in each hierarchy less of similar kind of jobs.

When you talk of broad grade structure fewer grades and similar kinds of jobs clubbed together in one grade and when you talk of broad banded structure so again it consist of limited number of grades or bands often four to five.

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Career-family structures: consist of a number of families (groups of jobs with similar characteristics) each divided typically into six to eight levels.

The levels are further described in terms of key responsibilities and knowledge, skill and competence requirements



Another is career family structures which talks of, consist of a number of families are groups of jobs which are of similar characteristics and each divided typically into six to eight levels. So, and the levels are further described in terms of key responsibilities and knowledge skills and competency requirement.

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Job-family structures: pay levels in each family reflect market rate considerations

Combined structures: Combination of grades pay is used, out of ones discussed above



Job family structures pay levels in each family reflect market rate considerations. Combined structures, combination of grade pay is used out of the ones discussed above, but we have to understand in order to do all these things like whether we are talking of narrow graded structures, broad grade structure, broad banded structure specifically, the job family or the career family structures, all these requires two things done very-very importantly.

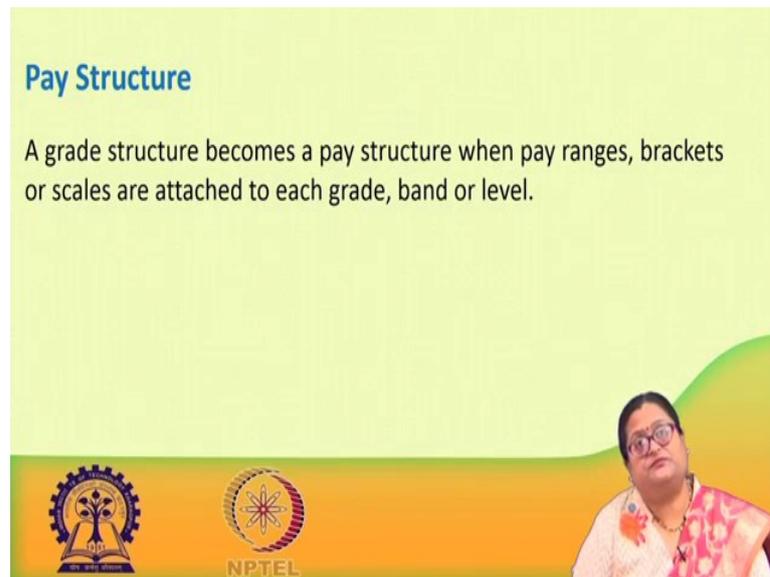
One is a cleared specific job description of each of the jobs, proper job analysis done and proper job evaluation done. Also, we only help to reach these like categories when we talking of grouping jobs into number of families and then dividing it into each levels. So, if you study this carefully, we will see like when we are talking of jobs which are grouped into a similar kind of families.

These are based on the similar kind of factors which are there in different jobs and jobs with similar nature of factors are grouped together, but whenever we are talking of each is now divided again typically into six to eight levels, there we are talking of the proficiency levels of each of the factors required for performing the job and that gives like the more proficiency level it requires, then it moves to the higher levels of efficiency as compared to the lower levels of efficiency.

So, here we have to talk of like the jobs, grouped based on similar kind of factors taken together and after that if you when you have done those groupings, then we have to determine the proficiency level intensity of each of the factors required for each kind of job and then each is then graded into six to eight levels, based on the intensity of the proficiency of that competency required at starting from maybe, if you are starting from a novice stage.

And we are ending at the stage where we are subject matter expert or expert in that particular job. So, in between maybe novice learner then performer and then we moving in to the expert level. So, as if moving through this four five different like levels then what are the changes in the proficiencies, expected for each particular competencies.

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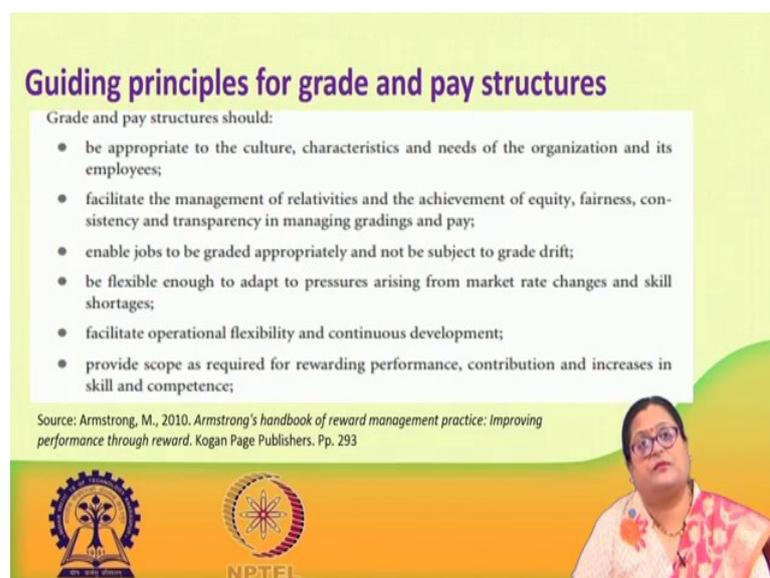
Pay Structure

A grade structure becomes a pay structure when pay ranges, brackets or scales are attached to each grade, band or level.

The slide features a green and yellow background. At the bottom, there are logos for a university and NPTEL, and a small inset image of a woman speaking.

Now, when we talk of job family structures so pay levels in each family reflect market rate considerations and in combined structures, a combination of grade pay is used out of the ones which have been discussed. Now, when we talk of pay structure a grade structure becomes a pay structure, when pay ranges brackets or scales are attached to each grade band or level.

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Guiding principles for grade and pay structures

Grade and pay structures should:

- be appropriate to the culture, characteristics and needs of the organization and its employees;
- facilitate the management of relativities and the achievement of equity, fairness, consistency and transparency in managing gradings and pay;
- enable jobs to be graded appropriately and not be subject to grade drift;
- be flexible enough to adapt to pressures arising from market rate changes and skill shortages;
- facilitate operational flexibility and continuous development;
- provide scope as required for rewarding performance, contribution and increases in skill and competence;

Source: Armstrong, M., 2010. *Armstrong's handbook of reward management practice: Improving performance through reward*. Kogan Page Publishers. Pp. 293

The slide features a green and yellow background. At the bottom, there are logos for a university and NPTEL, and a small inset image of a woman speaking.

Now, the guiding principles for grade and pay structures are; grade and pay structure should be appropriate to the culture, characteristics and needs of the organization and its

employees, facilitate the management of relativities and the achievement of equity fairness, consistency and transparency in managing grading and pay.

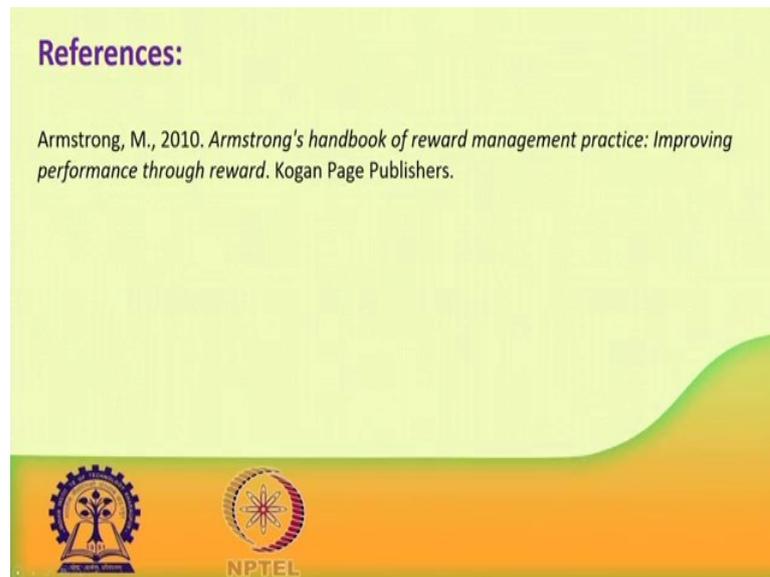
So, it is very important that relativities are maintained in terms of the different pay levels, because and job levels, because we understand like all like all jobs may not be very critical for achieving the organizational objectives and those jobs which are critical and the to the organizational objectives and the highest degree of competency required for it in terms of the highest levels should be more differentially paid as compared to a non-critical job in its lowest level.

So, facilitate the, guiding principles of grade and pay structures should be it facilitate the management of relativities and also achievement of equity, fairness, consistency and transparency in managing grading and pay. This can be achieved only when we have those two things; basic principles job analysis done properly and job evaluation done properly, market rate established properly through proper collection of data and job matching.

Enable jobs to be graded appropriately and not to be subject to grade drift, be flexible enough to adapt pressures arising from market rate changes and skill shortages, facilitate operational flexibility and continuous development, provide scope as required for rewarding performance, contribution and increasing skill set competencies.

So, when we talk of like grade and pay structures so, it talks of like policies and like where we take care of the relativities and achievement of equity fairness, but also again we are flexible enough to adapt to the like a pressures arising from market rate changes and scale shortages. So, that facilitate continuous development and scope for rewarding performance contribution in increase in skill and competency in terms of grade pay increments.

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So, these are the reference from where this slides have been prepared and this discussion is based. Hope you go through this any queries, we are again ready to answer to it in the discussion forum. Stay tuned any questions, please write to us.

Thank you.