

HEALTH WEALTH CAREER

MAXIMISING THE VALUE OF JOB EVALUATION
MERCER STUDY REPORT
2015





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MAXIMISING THE VALUE OF JOB EVALUATION

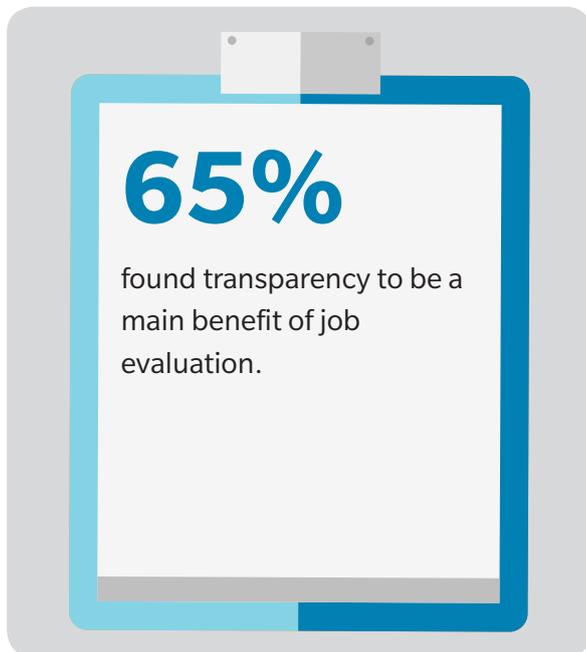
THE JOURNEY TO CLARITY, CONSISTENCY, AND CONTROL

Job evaluation is being re-defined — building on traditional applications, it now incorporates greater transparency and supports a wider spectrum of HR initiatives in the talent space. In fact, it has become a key tool for helping HR to position itself as a strategic advisor, supporting business decisions that need to be based not just on finance and operations, but also on people.

The latest trends in HR management have renewed interest in job evaluation. In particular, the rise of workforce metrics and increased adoption of human resource management (HRM) technology call for more robust and consistent ways to evaluate and organise jobs. There is significant interest today in implementing job evaluation frameworks that promote fairness, bring consistency, and control cost. While these are key goals in troubled times, they are likely to persist as organisations look optimistically to the future.

To help guide organisations, Mercer launched a global **Job Evaluation** study in early 2015 to gauge attitudes towards, and benefits and return on investment (ROI) derived from, implementing job evaluation. The study findings support HR professionals looking to grow their internal talent while at the same time bringing clarity, consistency, and control to their organisations.

CLARITY



Job evaluation provides a common language in a multinational, diverse organisation. It allows transparency and better communication regarding the employee value proposition. Indeed, 65% of organisations that participated in the study found transparency to be its main benefit. For employees, transparency, in the form of global career path development, can help understand where they “fit” within the overall organisation — and what their future career steps may be. With job evaluation helping put logical career paths in place, the organisation can create training and development programmes to move employees in the direction they wish to go. Over one-third of organisations (37%) cited global career path development as a benefit.

With job evaluation also comes better understanding of organisational and functional structures. It supports HR

in making informed decisions on rewards, staffing, employee mobility, and succession planning. Almost all respondents, 96%, said job evaluation benefited them in the area of compensation and benefit planning. Further, 62% said it supported aligned-resource planning, and 36% said it supported identifying skill gaps.

At the corporate level, job evaluation encourages strategic discussion within management on workforce investment, and potential competency gaps between job holders and their jobs, as evidenced by 65% of respondents.

CONSISTENCY

Given the economic uncertainty in recent years, companies have placed more emphasis on grading systems to achieve consistent, controlled, and equal treatment of the workforce — and it pays off.

Prior to the economic crisis, organisations largely delegated the management of their staff, including their compensation. As a result, most organisations would claim to pay about 60% of their people “about right”, with the balance being either over- or under-paid in equal measure.

The economic crisis brought the costs and risks associated with this inconsistency into sharp focus. Over the last five years, we have seen our clients increasing their compensation consistency. Now, when we ask, organisations say they pay 70% to 80% of their employees “about right”.

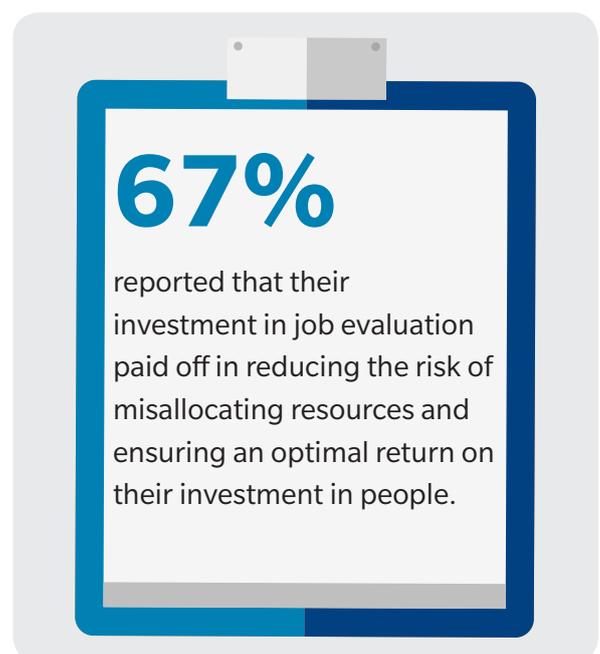
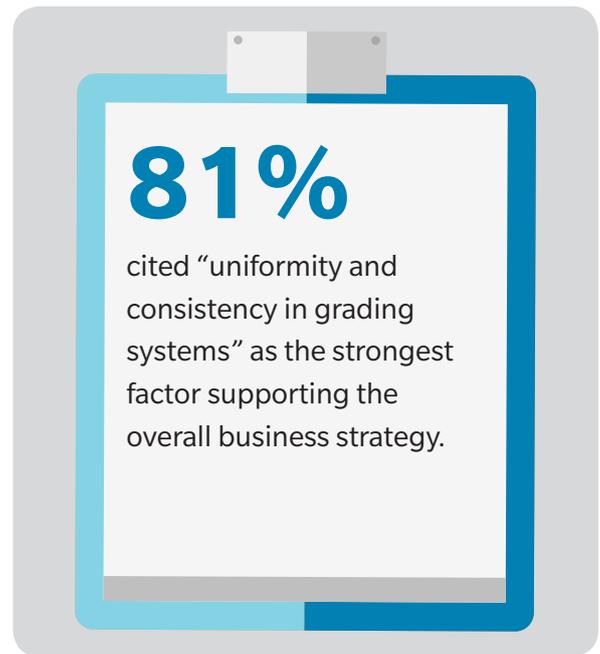
Job evaluation plays a crucial role in the creation of compensation consistency as it supports the development and management of international workforce grading systems. Eight out of 10 respondents cited uniformity and consistency in grading systems as the strongest factor supporting the overall business strategy.

Job evaluation also can assist in the area of equal pay. By assessing jobs based on their contributions to the company bottom line, rather than simply relying on titles and market value, HR can create greater internal pay equity, meet equal pay obligations, and better satisfy commitments to affected and interested parties — both inside and outside the organisation. These are all important steps as this issue gains increasing importance and visibility.

CONTROL

The structured management and organisation of jobs in all businesses, functions, and regions has become a prerequisite for multinationals and a key accountability for HR.

The study revealed that companies using a proven job evaluation methodology are much more effective in supporting business leaders in making decisions, managing increased organisational complexities, and controlling labour costs and investments. In fact, 67% of



PARTICIPANT LIST

Abertis Autopistas España
Acciona Facility Services
Acea
AceTech Services
adidas
AET Tankers
ALK Abello
Alstom
ALTANA
Aramco Overseas
Argos
Ariston Thermo
AT&S
Atlas Copco
Axis Communications
B. Braun Melsungen
Banco Popular
Bang & Olufsen
Barclays Bank
BDR Thermea
BMW
Boehringer Ingelheim
BP OIL
Broadridge Financial Solutions
BRP-Powertrain
Bull
Carmeuse
CGI
CLH Group
Coats
COVAP
CPA Global
Dachser
DAIMLER
DeLaval
Deutsche Post DHL
Diaverum
Diehl Stiftung
DSB
E.ON
ECCO

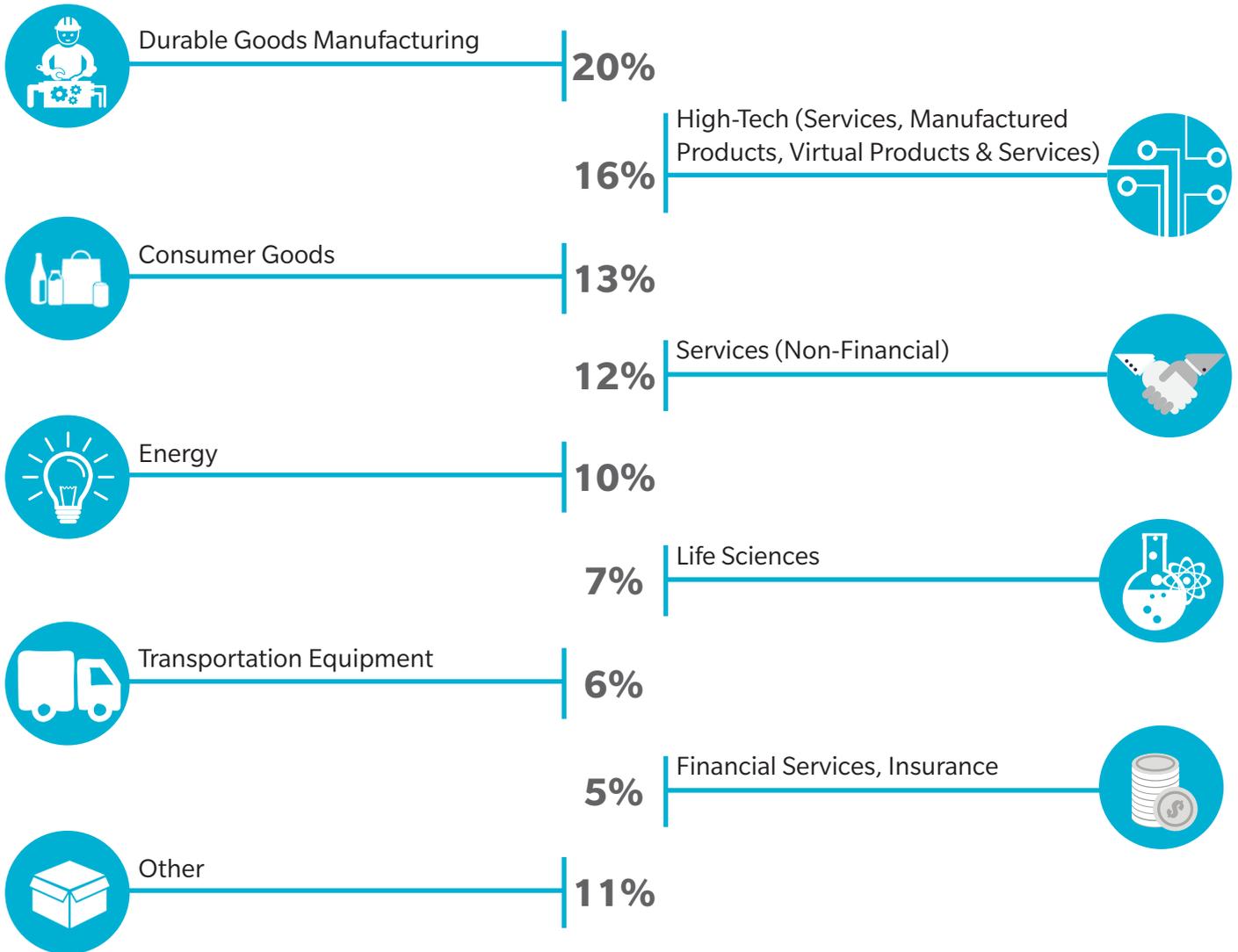
Electrolux
Elior
Enics
Gavi
GEMS Education
General Motors
Georgetown University
GFI
Giesecke & Devrient
GLINTT
GN Store Nord
Grupo Generali
H. Lundbeck
Hannover Rück
Heineken
Hempel
Henkel
Hero
Hikma Pharmaceuticals
Höganäs
Holmen
Hunter Douglas Europe
If P&C
IKEA
Informatica El Corte Ingles
Jerónimo Martins
Kiekert
Konecranes
Lanxess
LEGO
Lenzing
Luvata
Marquard & Bahls
MARTINEZ LORIENTE
Metsä Group
MICHELIN
Munters
MWBrands
Neste Oil
Nestle
NNIT

Nors
Novo Nordisk
Novozymes
Panalpina
PANRICO
Perfetti Van Melle
Philip Morris International
Piaggio
Polypeptide Laboratories
PwC
Samsung Electronics
Sandvik
SAP
Scandinavian Tobacco Group
Schaeffler
Schibsted
Semperit
Senvion
Siemens
Simoldes Plásticos
Statoil Energy
Swarovski
Swedbank
Swissport
ThyssenKrupp
Tieto
Tyco Integrated Security
UBS Group
Umbra
Unify
Universidad Europea
Vattenfall
VELUX
Veyance Technologies
Vodafone
Volvo
VTTI
Wärtsilä
Wynyard Group
Xerox

PARTICIPANT PROFILE

INDUSTRY

The durable goods manufacturing industry (20%) had the highest representation among study participants followed by the high-tech sector (16%) and consumer goods (13%).

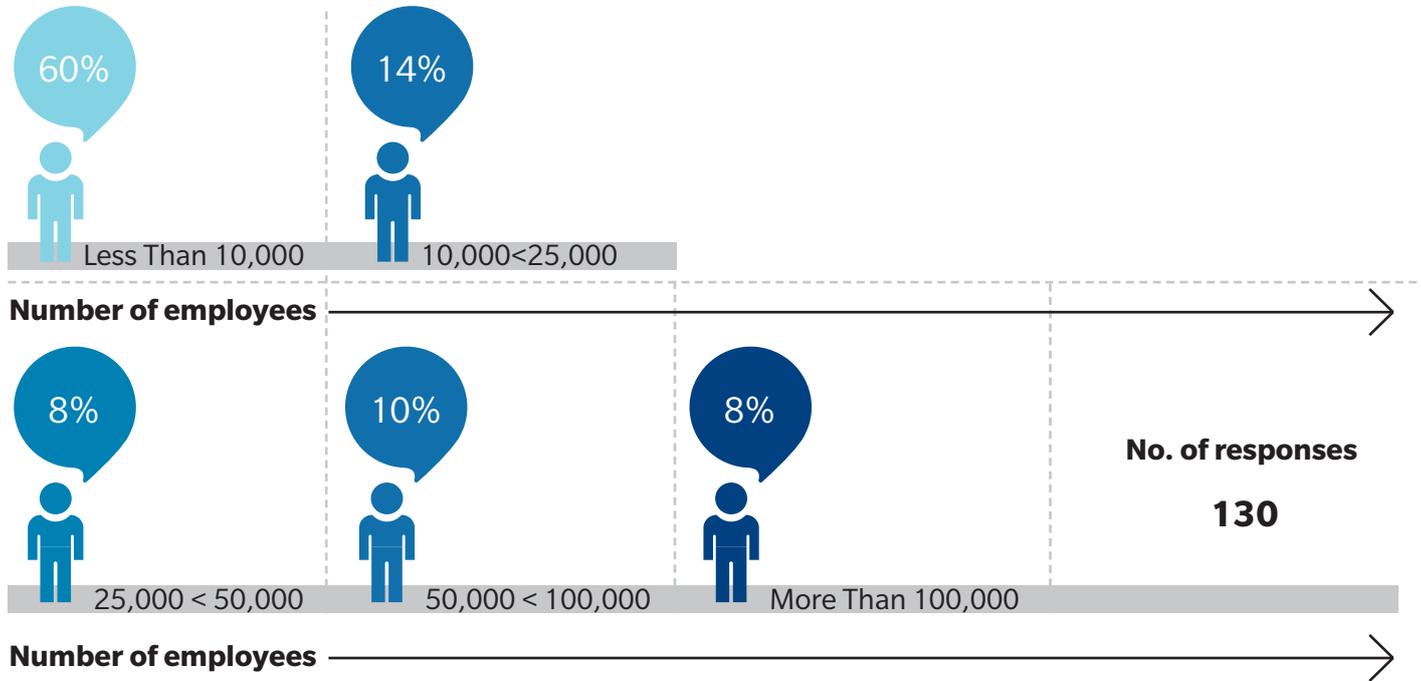


Based on 130 responses.

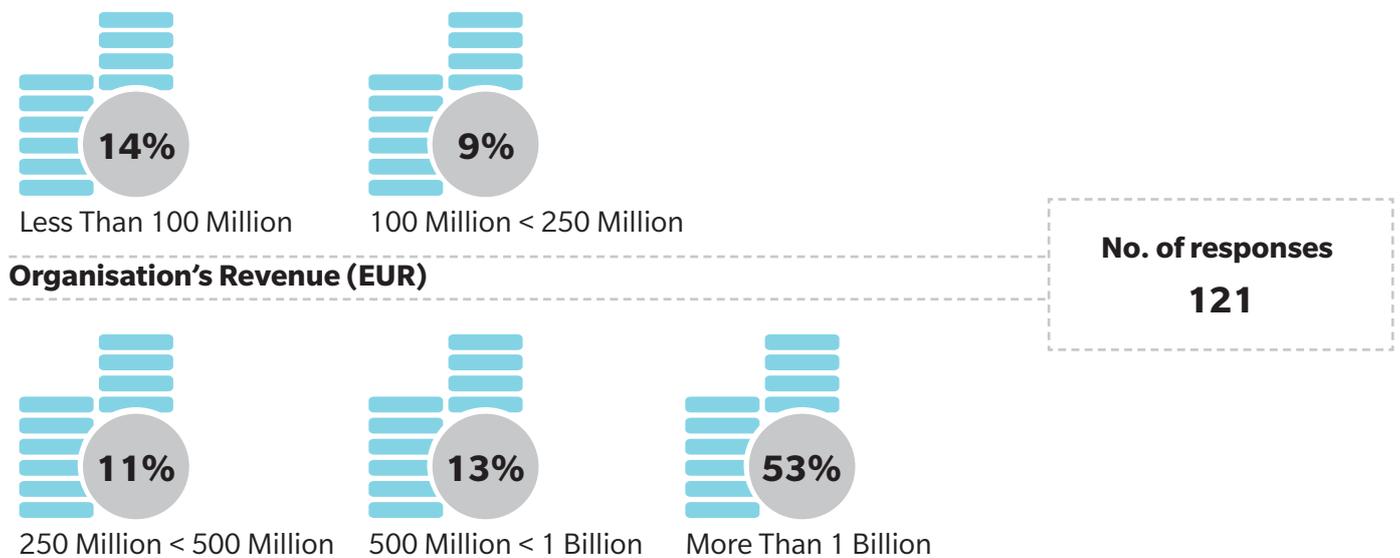
Other includes: Other Non-Manufacturing (3%), Retail & Wholesale (3%), Other Non-Durable Goods Manufacturing (3%), Mining & Metals (2%).

ORGANISATION SIZE

The majority of respondents have less than 10,000 employees.

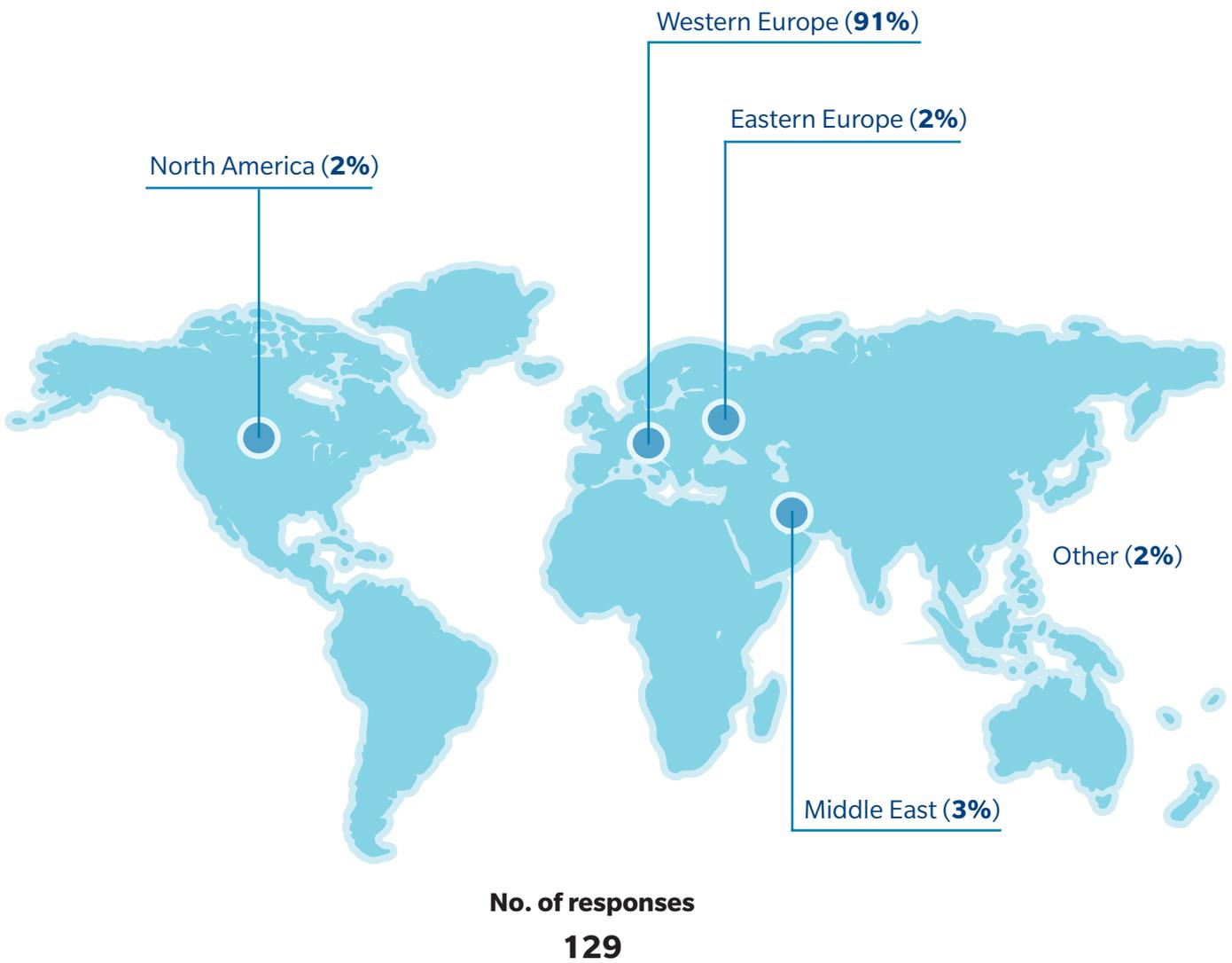


More than half of the organisations report revenue above EUR1 billion.



RESPONDENTS' LOCATION

The majority of companies (91%) are located in Western Europe.



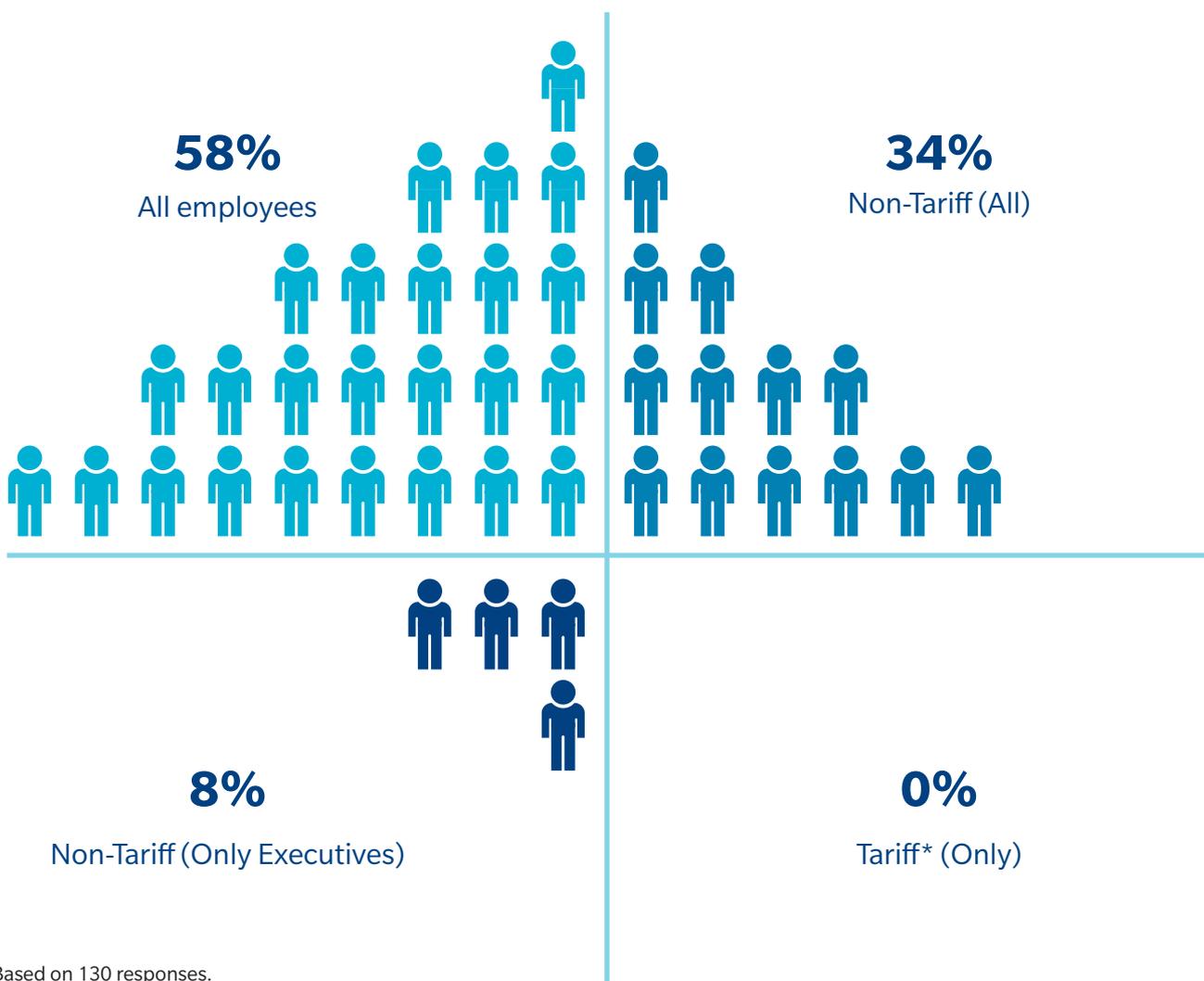
Note: The total does not equal 100% due to rounding.

STUDY RESULTS

WORKFORCE SEGMENTS AND EMPLOYEE GROUPS FOR WHICH JOB EVALUATION IS MOST SUITABLE

The majority (58%) of respondents agree that job evaluation is suitable for all employee segments, irrespective of their job, industry, position, and level.

One-third of the respondents believes that job evaluation is most suitable for the Non-Tariff group (all).



Based on 130 responses.

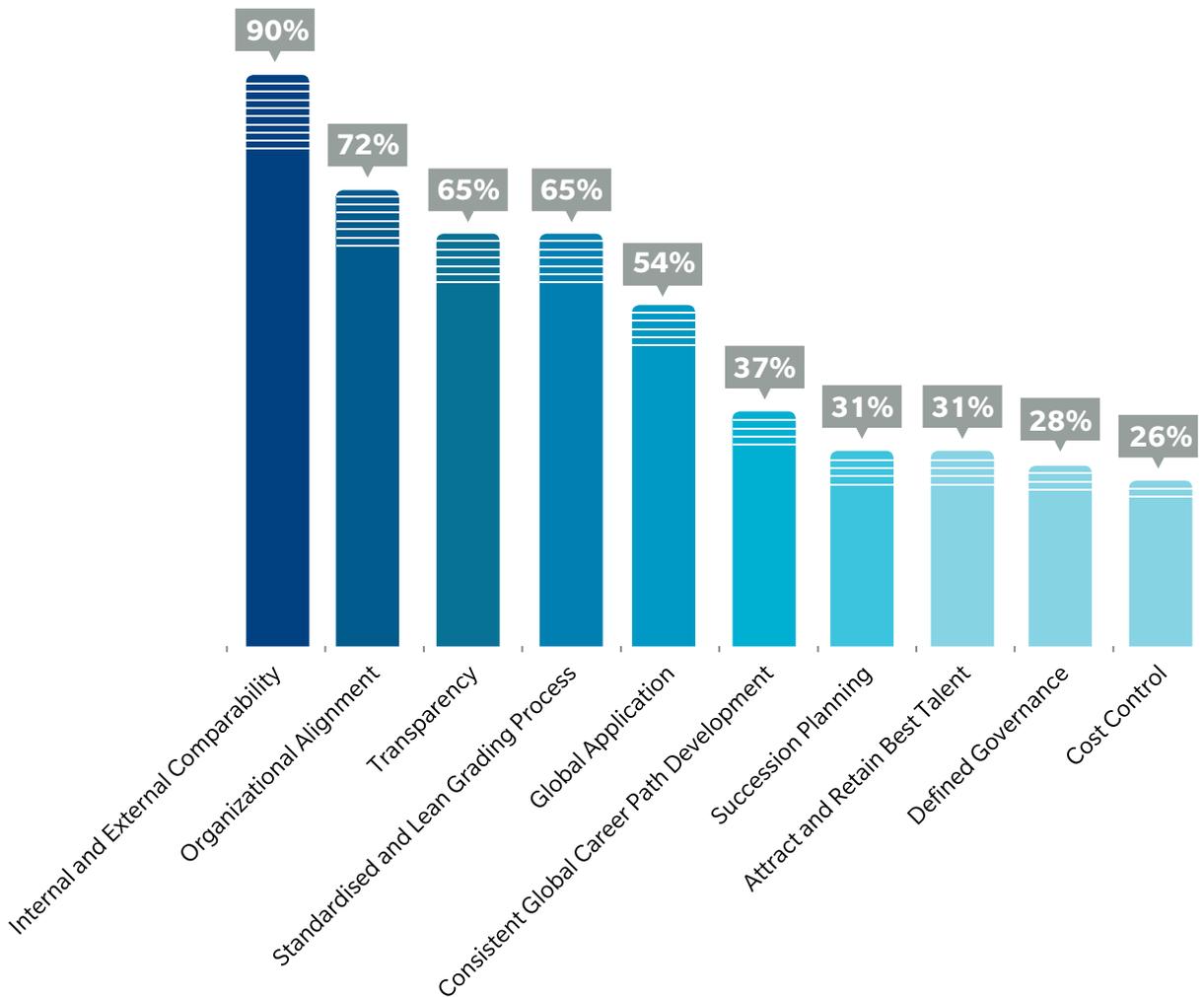
*Covered by collective bargaining agreement

MAIN BENEFITS OF JOB EVALUATION FOR ORGANISATIONS

Nine out of ten respondents believe that job evaluation is a key benefit in comparing job positions both internally and externally.

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

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



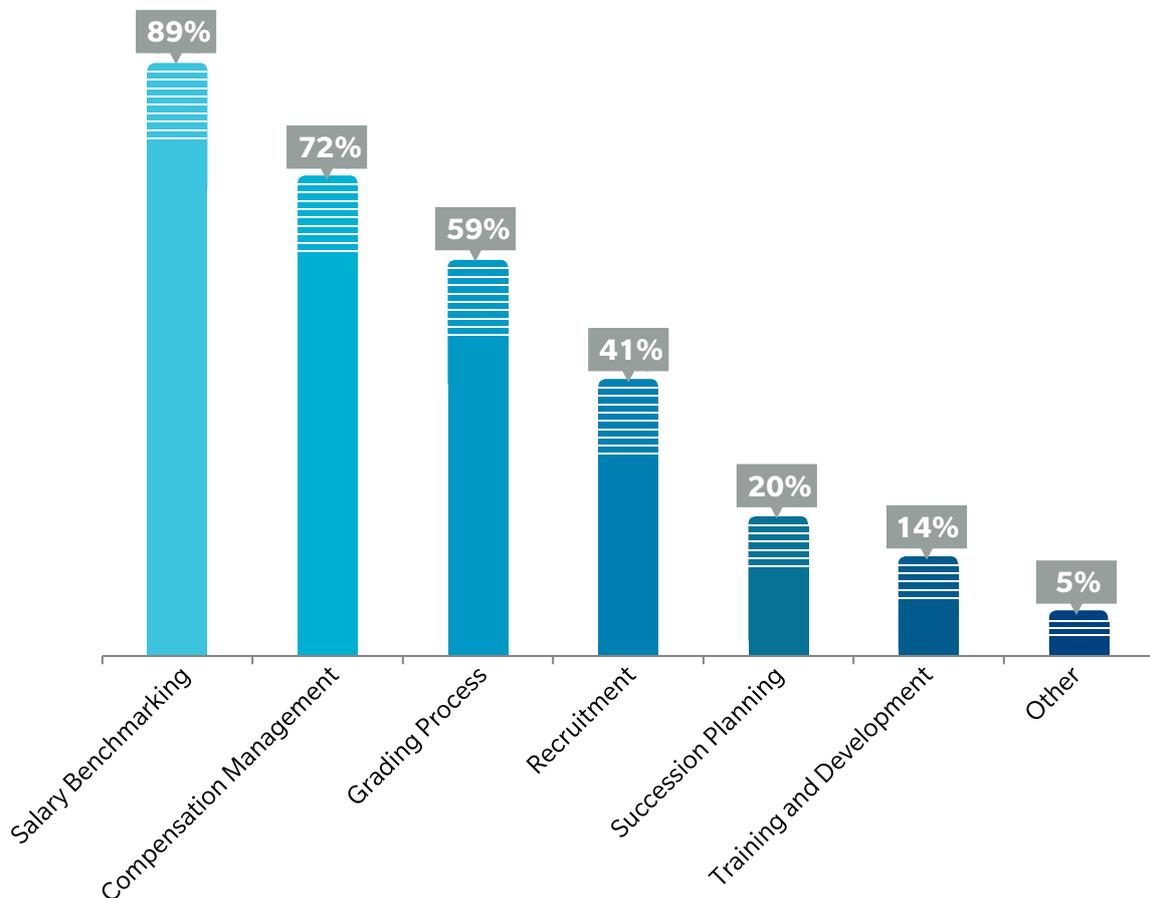
Based on responses from 130 entities.

Note: Organisations were asked to indicate top five answers; therefore, the total exceeds 100%.

AREAS IN WHICH ORGANISATIONS DERIVE THE MOST VALUE ADDED THROUGH JOB EVALUATION

The majority (89%) of respondents believe that job evaluation adds value in the salary benchmarking process, forming the foundation for comparisons across geographies and industries.

More than half of the respondents believe that job evaluation assists them in compensation planning (72%) and the grading process (59%). This support, in turn, helps HR maintain external and internal consistency.



Based on responses from 130 entities.

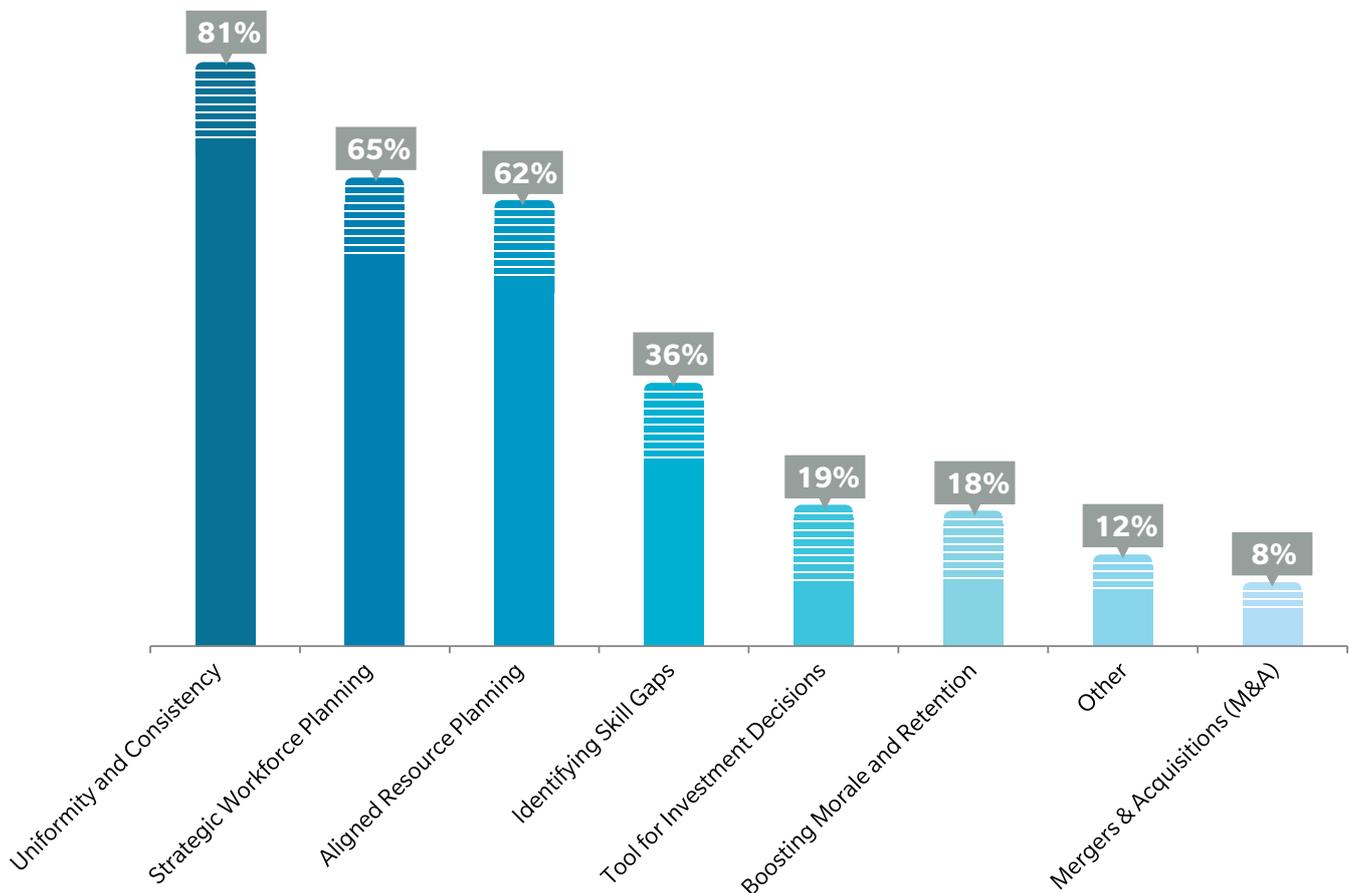
Note: Organisations were asked to indicate top three answers; therefore, the total exceeds 100%.

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.

WAYS OF SUPPORTING THE OVERALL BUSINESS STRATEGY WITH JOB EVALUATION

According to 81% of participants, job evaluation supports business strategy by implementing uniformity and consistency.

Strategic workforce planning ranks second (65%), followed closely by aligned resource planning (62%).



Based on responses from 128 entities.

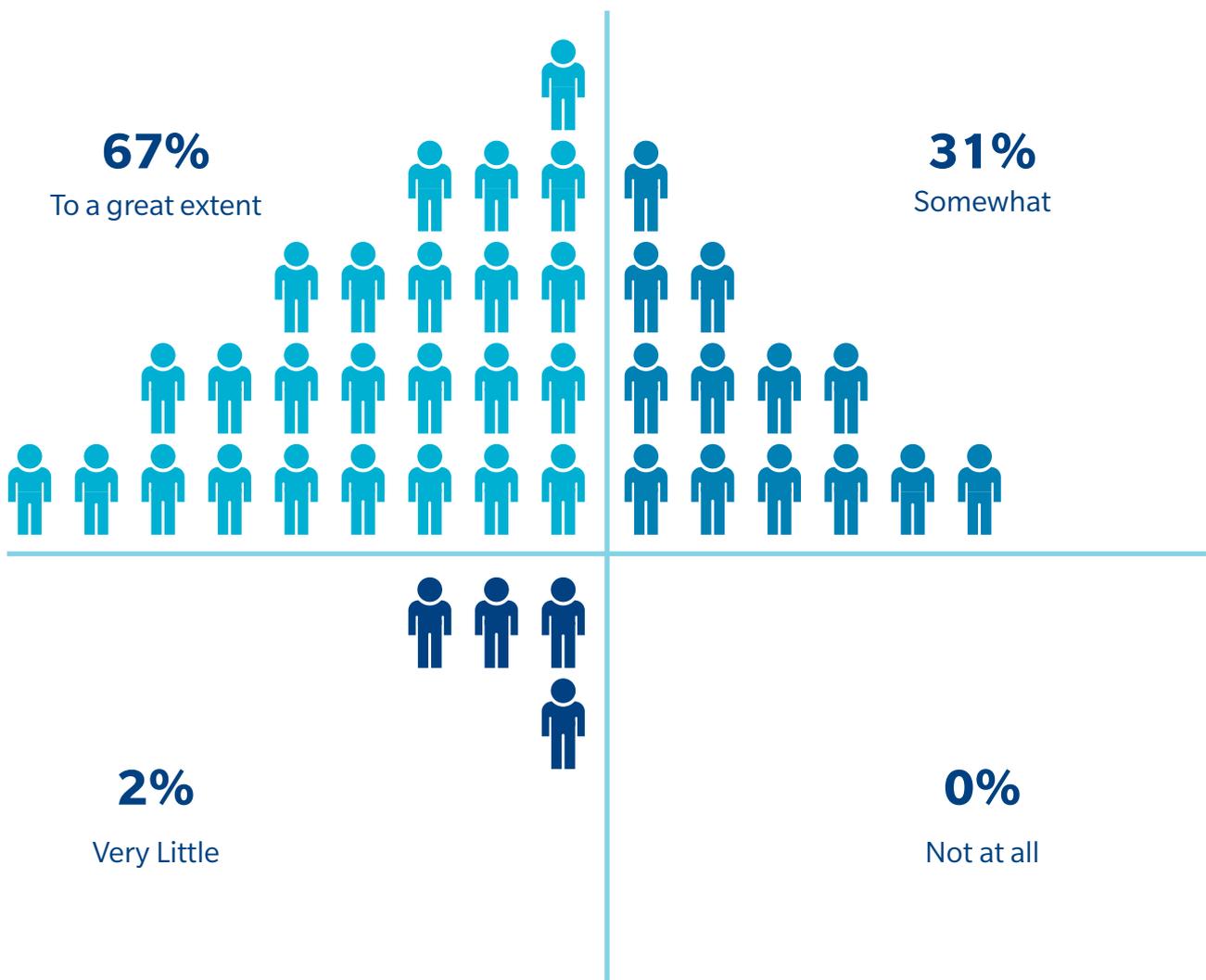
Note: Organisations were asked to indicate top three answers; therefore, the total exceeds 100%.

Other includes: building salary structures based on global methodology; succession planning; supporting intra-company moves; organisational competitiveness; fairness and transparency in compensation/promotion/grading; providing basis for various processes that support attraction and retention; control of the personal costs; salary benchmarking and establishing salary structure; global consistency in remuneration policy (at senior management level); remuneration policy; and supporting current spin-off.

EXTENT TO HOW JOB EVALUATION IMPROVES EVALUATION CONSISTENCY WITHIN AND ACROSS COUNTRIES, BUSINESSES, FUNCTIONS, AND JOB FAMILIES

Two-thirds (67%) responded 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.

It should be noted that all respondents believe that job evaluation helps, to more or less of an extent, in improving evaluation consistency.

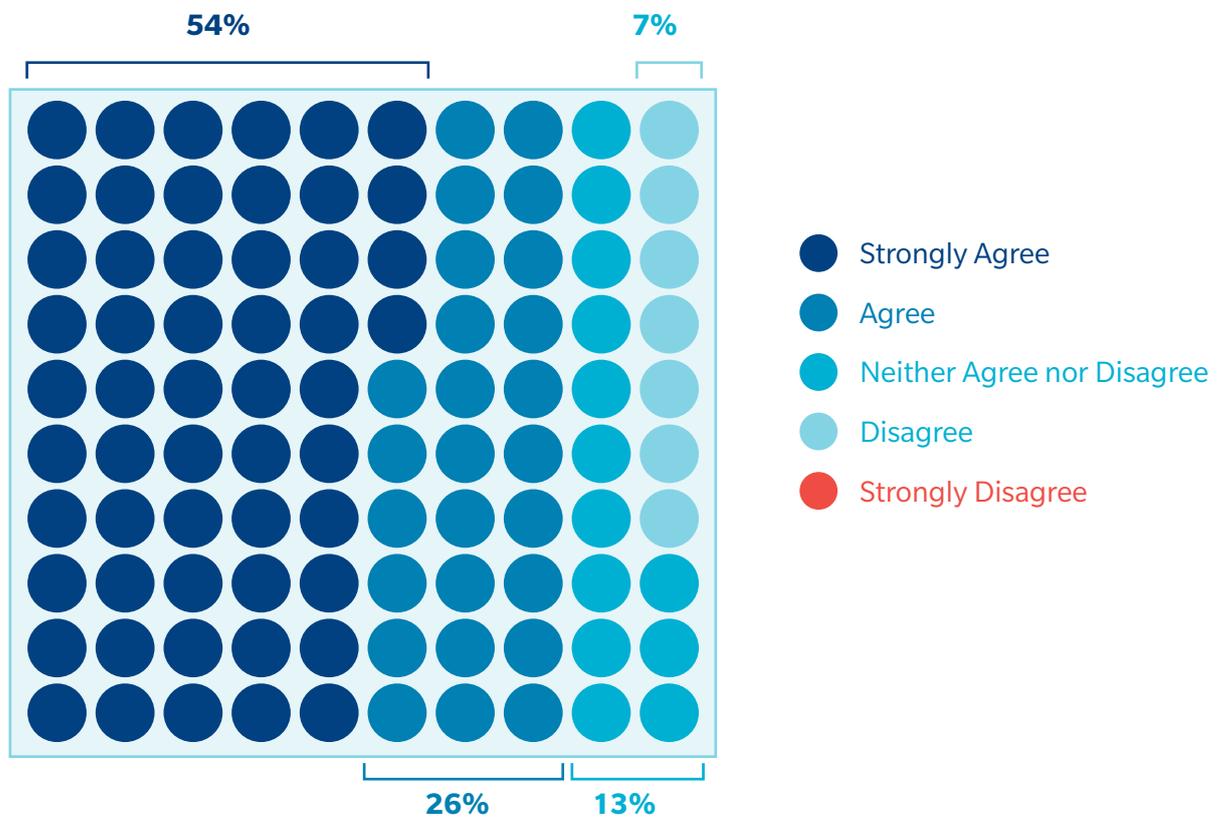


Based on 129 responses.

IMPLEMENTATION OF JOB EVALUATION PAID OFF IN TERMS OF RETURN ON INVESTMENT (ROI)

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 ensuring an optimal ROI in people.

One-quarter are neutral, and just 7% disagree.



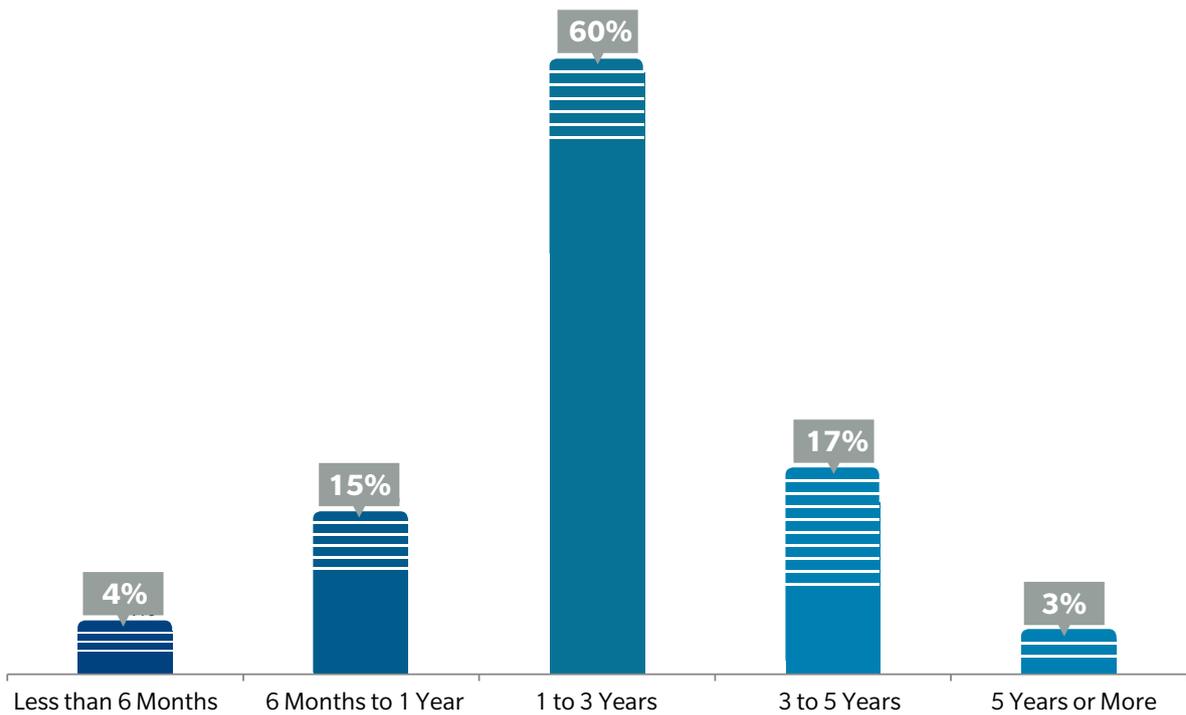
	Percentage of Organisations
Strongly Agree or Agree	67%
Neither Agree nor Disagree	26%
Disagree or Strongly Disagree	7%

Based on 130 responses.

PERIOD OF TIME TO REALIZE THE PROJECT RETURN ON INVESTMENT (ROI)

Just under 20% of respondents report that it takes up to one year to realise a job evaluation project's ROI; 60% realised ROI in one to three years.

For 3%, the period is five or more years.



Based on 117 responses.

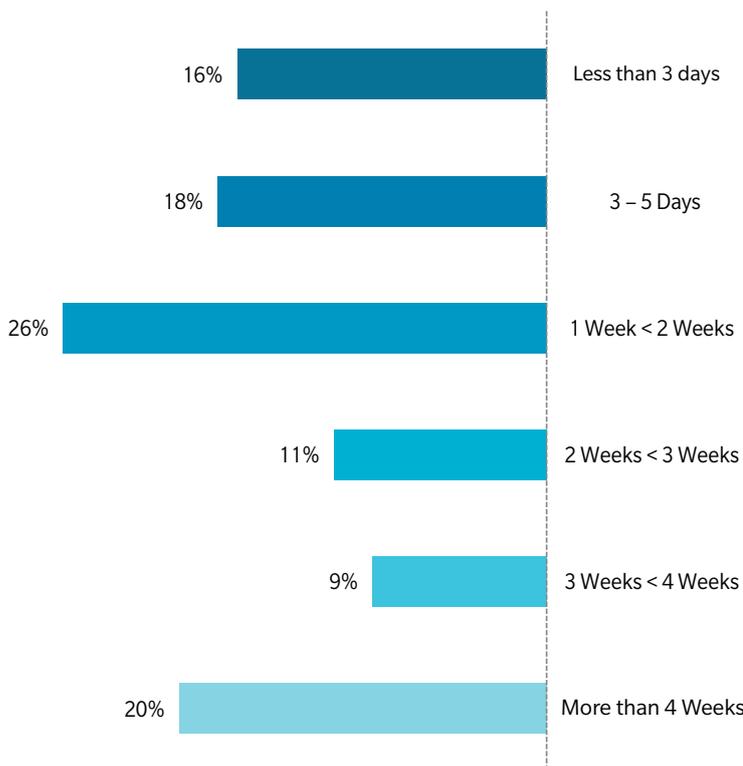
Note: The total does not equal 100% due to rounding.

LENGTH OF GRADING PROCESS

For 66% of respondents, the length of the grading process prior to implementing job evaluation is one week or more, compared to 60% of respondents who indicate a time frame of five days or even less, after a job evaluation implementation.

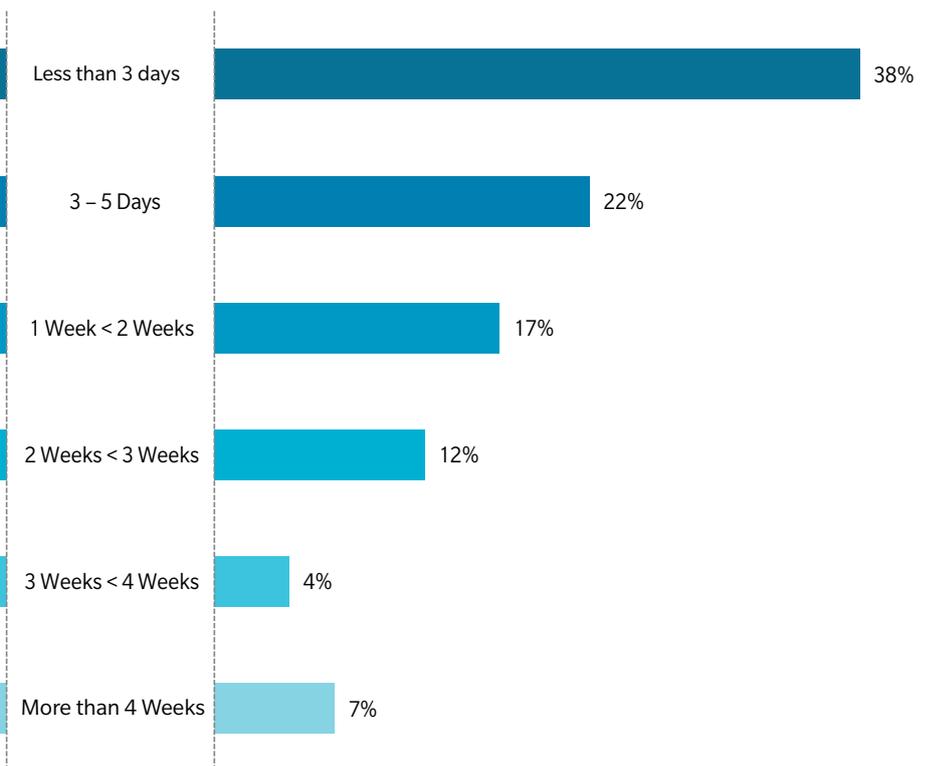
Without implementation, 20% report the length to be more than one month. With implementation, that percentage drops to just 7%.

BEFORE IMPLEMENTING JOB EVALUATION



Based on 97 responses.

AFTER IMPLEMENTING JOB EVALUATION



Based on 114 responses.

AVERAGE TOTAL GRADING PROCESS COSTS SAVED PER YEAR WITH JOB EVALUATION

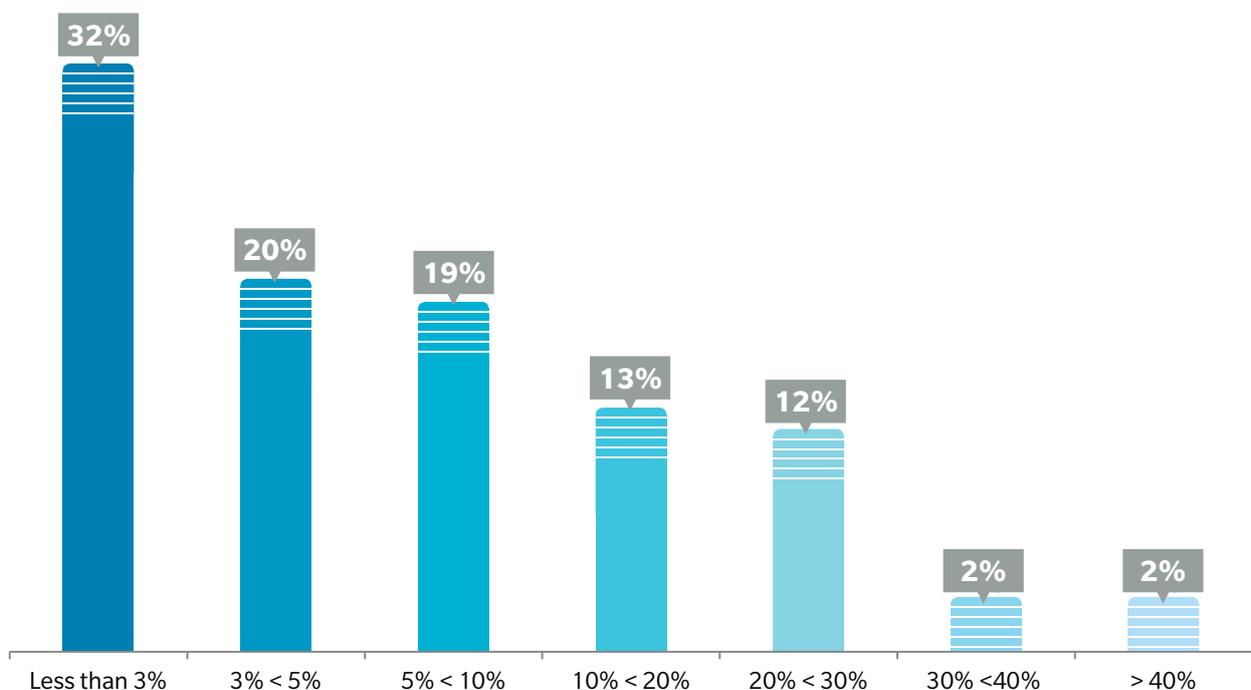
Job evaluation allows for job grading process costs primarily due to a defined global governance that includes an improved grading process, technology, and tools. It also provides a clear definition of roles and responsibilities, which leads to less resources involved in job evaluation and grading.

Of the 85 participants that achieved cost savings after implementing job evaluation, close to one-third achieved cost savings of over 10%.



Based on 101 responses.

Percentage of Cost Savings Achieved

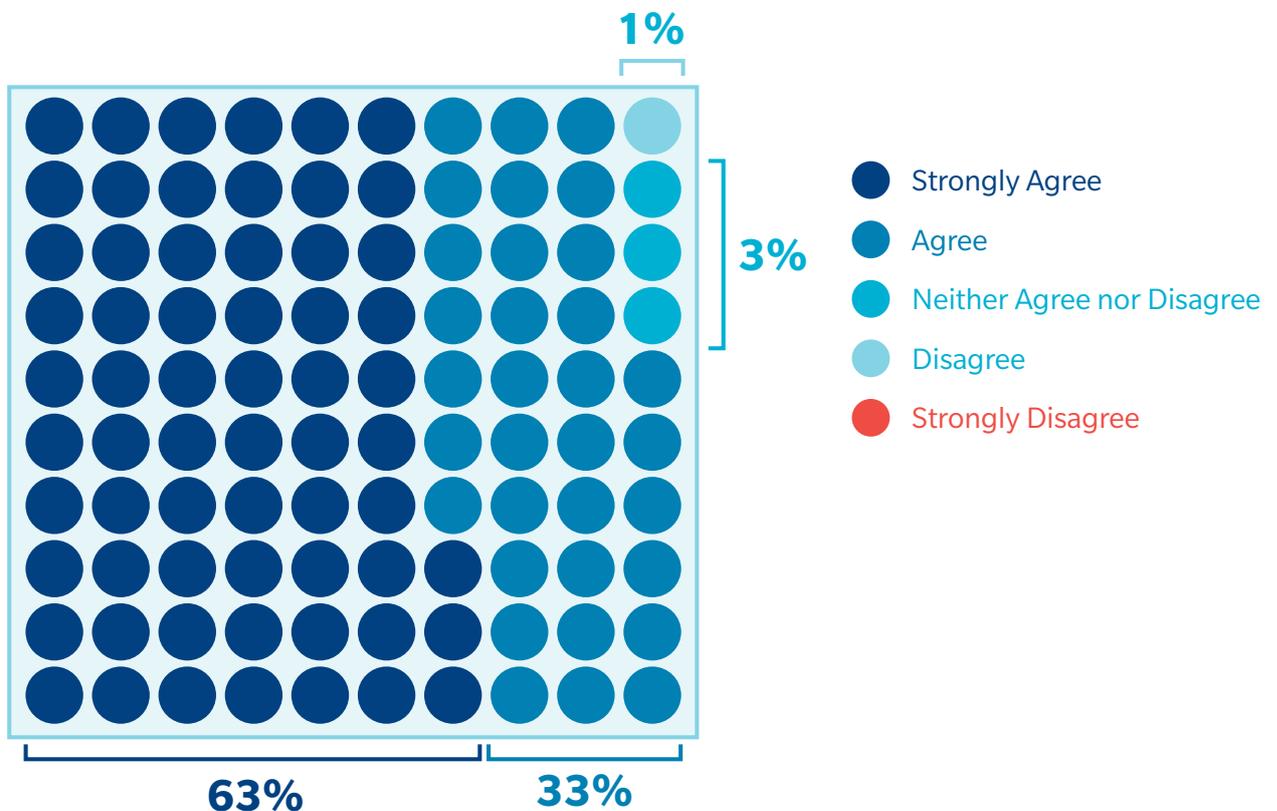


Based on 85 responses.

JOB EVALUATION CAN HELP TO MAKE RELIABLE COMPENSATION AND BENEFITS DECISIONS

In designing complete pay packages, job evaluation plays a crucial role. Nearly all (96%) respondents (123 out of 128) either strongly agree or agree that job evaluation supports reliable compensation and benefits decisions.

Only 3% are neutral, and 1% disagree.



	Percentage of Organisations
Strongly Agree or Agree	96%
Neither Agree nor Disagree	3%
Disagree or Strongly Disagree	1%

Based on 128 responses.

COMPENSATION AND BENEFITS SAVINGS ON AVERAGE PER YEAR WITH JOB EVALUATION

For eight out of 10 respondents, effective job evaluation helped achieve cost savings in compensation and benefit planning.

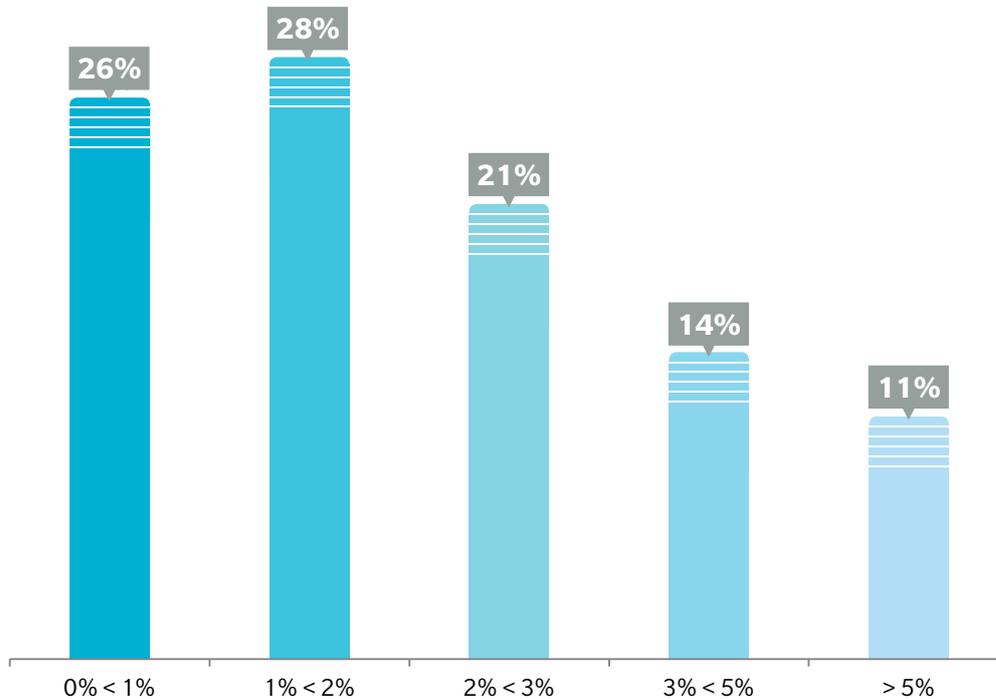
Three-quarters (75%) were able to save anywhere from 0% to less than 3% of costs when designing pay packages by using job evaluation.

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



Based on 108 responses.

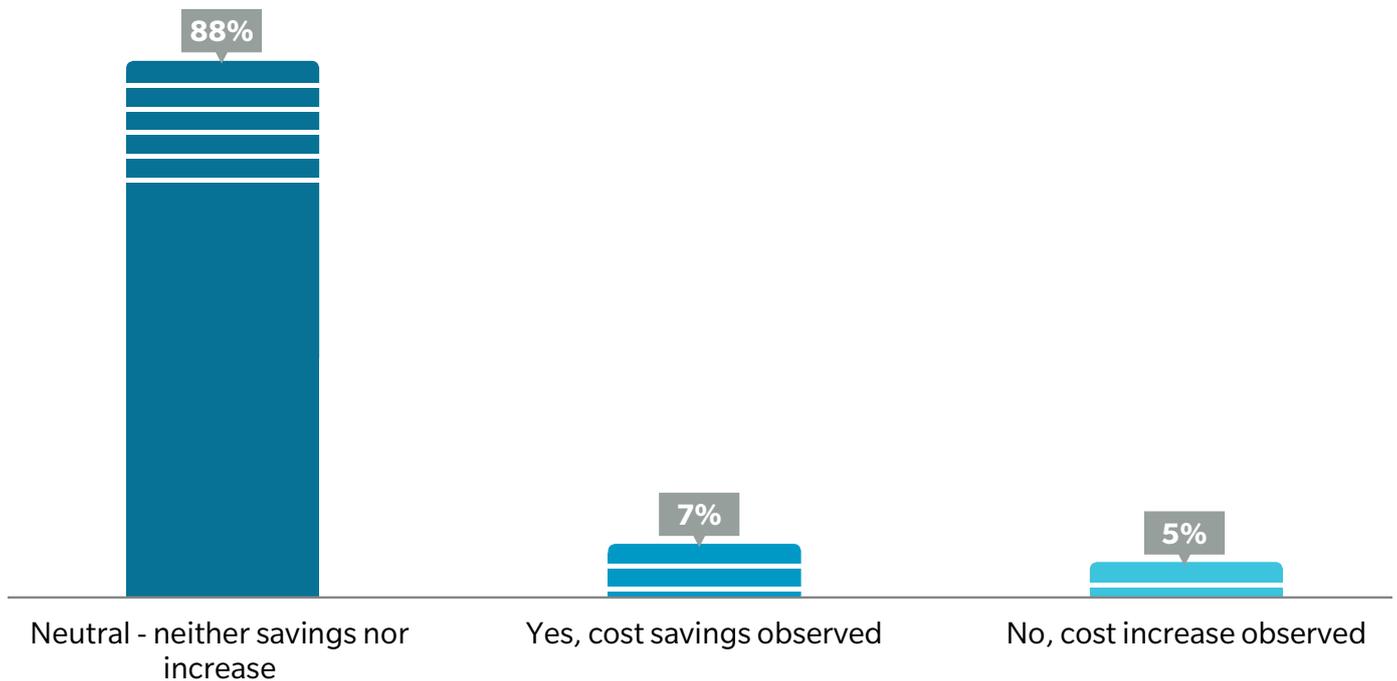
Percentage of Cost Savings Achieved



Based on 90 responses.

INITIAL SAVINGS OBSERVED (WITHIN THE FIRST YEAR) AFTER THE IMPLEMENTATION OF JOB EVALUATION

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



Based on 107 responses.

ABOUT THE REPORT

This report summarises the findings from the survey conducted in January and February of 2015 with 130 entities of 122 organisations participating.

CONFIDENTIALITY

To ensure the confidentiality of all data, a minimum number of observations are required in order for statistics to be displayed.

- Three organisations must report at least three observations for a variable in order for the mean to be displayed.
- In single-answer questions, the total may not equal 100% due to rounding.
- A dash [—] indicates insufficient data for analysis.

EXCEPTIONS AND NOTES

As more than one submission from the same organisation was accepted, the number of responses might be higher than number of participants.

GLOSSARY

Job evaluation: Job evaluation is a systematic assessment of the complexity of job content, discretion, and requirements, independent of any preconceived standards of remuneration, to determine the essential worth of the job. This process results in a coherent job hierarchy and structure — grades, scores, levels, or ratings by which jobs can be compared with other jobs to determine their relative worth — based on a system that is readily understood, fair, and defensible for all stakeholders.

FOR MORE INFORMATION ON MERCER'S JOB EVALUATION STUDY, PLEASE CONTACT OUR CONTRIBUTORS:

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