


Chapter 6

Integrating Job Evaluation and Equity Into Strategic Compensation Planning

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ABSTRACT

This chapter discusses the merger of job evaluation and equity into strategic compensation planning to develop equitable, competitive, and flexible pay systems. As companies transition from transactional HR practices to transformational approaches, compensation evolves as a means of linking employee behavior to business objectives. The chapter examines leading job evaluation systems point-factor and classification to drive internal equity, including external equity through market bench marking and industry alignment. It outlines a seven-step planning model for strategic alignment, equity gap analysis, stakeholder management, and ongoing improvement. It emphasizes the increasing importance of analytics, AI, and adherence to global pay equity legislation. The chapter also addresses the people aspects of compensation fairness, employee perception, and organizational culture. Finally, it provides a future-proofed model integrating data driven decision-making, compliance with legislation, and DEI goals to assist leaders in creating transparent, ethical, and efficient compensation systems.

INTRODUCTION

Employee compensation and reward management is one of the pillars of successful human resource management, determining organizational culture and

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employee behaviour. It includes financial and non-financial rewards granted in return for employee services, from base pay and performance incentives to awards and career progression programs. The strategic positioning of compensation goes beyond managing costs—it serves as a performance, productivity, and satisfaction lever (Milkovich, Newman, & Gerhart, 2014).

Organizations increasingly understand the value of linking compensation strategies to overall business objectives while maintaining fairness and competitiveness. In an ever-changing global labour market, workers expect fair treatment, transparency, and value-based rewards. Businesses, however, are increasingly under pressure to attract and retain qualified talent, control costs, and conform to regulatory requirements on pay equity and diversity (World at Work, 2020).

This chapter highlights the importance of incorporating job evaluation and equity concepts into strategic compensation planning. It provides a thorough examination of concepts, theory, and practices that aid in developing efficient and fair compensation systems.

IMPORTANCE AND PURPOSE OF THE CHAPTER

The objective of this chapter is to critically discuss the interaction of job evaluation and equity with strategic compensation management, producing an integrated framework for organizations to create equitable and inspiring reward systems. By reviewing crucial concepts and their applications, this chapter seeks to:

- Emphasize the significance of formal job evaluation techniques in setting compensation levels.
- Depict how equity concepts lead to fairness, transparency, and employee satisfaction.
- Offer practical recommendations for aligning compensation planning with organizational objectives.
- Discuss current challenges such as pay gaps, pay transparency, ethical issues, and accessibility problems in compensation.

Appreciating the vital position that equity occupies in compensation is now more relevant than ever, particularly in an age of increased social sensitivity and workforce diversity. Studies prove that perceived pay inequity is responsible for reduced employee motivation, increased turnover, and a battered reputation (Adams, 1965; Cropanzano, Bowen, & Gilliland, 2007). On the other hand, equitable and open compensation policies fuel productivity and dedication (Gerhart & Fang, 2015).

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