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3. POINT-FACTOR METHOD:

Definition: A quantitative method where jobs are evaluated based on several compensable factors.

Factors: Typically include experience, responsibility, skills, and working conditions.

Process: Assign points to each factor based on its importance and the job's requirements. Total points are calculated to determine job value.

Advantages: Objective and detailed.

Disadvantages: Requires careful consideration of factors and point allocation.

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3. Job Grading and Job Classification Systems

JOB GRADING:

Definition: A system where jobs are grouped into grades or levels based on their relative worth and responsibilities.

Process: Define a set of grades, assign jobs to these grades based on job evaluation results, and establish pay ranges for each grade.

Advantages: Simplifies compensation management and ensures consistency in pay.

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JOB CLASSIFICATION:

Definition: Grouping jobs into predefined classes or categories based on job duties and responsibilities.

Process: Develop classification criteria, categorize jobs, and create descriptions for each class.

Advantages: Provides clear structure and helps in maintaining a standardized pay system.

5. Market Pricing and Benchmarking in Compensation Management

MARKET PRICING:

Definition: The practice of setting compensation based on the prevailing pay rates in the external labor market.

Process: Collect salary data from similar roles in other organizations or industries and compare it with internal pay rates.

Advantages: Ensures competitive pay, which helps in attracting and retaining talent.

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BENCHMARKING:

Definition: The process of comparing your organization's compensation practices with those of other organizations to ensure alignment with market standards.

Process: Analyze compensation data from competitors or industry standards, and adjust internal pay structures as necessary.

Advantages: Helps in maintaining competitiveness and making informed compensation decisions.