EXECUTIVE JOB EVALUATION
IN THE
INSURANCE INDUSTRY

DISSERTATION

Presented in Partial Fulfillment of the Requirements
for the Degree of Doctor of Philosophy in the
Graduate School of The Ohio State
University

By

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1954

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ACKNOWLEDGEMENTS

A word of thanks must be given to all of the insurance executives who so helpfully gave of their time and effort to this study. Insurance company executives seem uniformly willing to devote time to interviews devoted to research. The questionnaire used in this study was a relatively long one, and executives of sixty insurance companies were willing to make the effort to complete these questionnaires. Especial thanks are due an executive of the company used as the intensive observational study.

Professor Ralph C. Davis, the advisor, was helpful in the initial structuring of the research project, and in the formulation of the questionnaire. The author is indebted to him also for much of the conceptual management framework underlying this study.

For the typing and retyping, always associated with this type of study, thanks are due Sally Cummings, Esther Merrill, and Ann Bowman.
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Subject

The subject of this research is "Executive Job Evaluation in the Insurance Industry."

Purpose

The purpose of this study is to present a description and analysis of executive job evaluation in the insurance industry in order to reveal new knowledge about the objectives, problems, and methods of this evaluation. Salary administration is also probed. Some of the basic assumptions and the inconsistencies between objectives and methods have been examined. Throughout these investigations, an attempt is made to reveal the potential contributions of economic theory to administrative practice. The emphasis of this study is primarily institutional rather than theoretical.

Method

Secondary and background information was obtained from library research. Primary information was gathered through three different approaches (presented in their actual time sequence):
(1) **An Intensive Study.** Hundreds of hours were spent in one company observing at first hand executive job evaluation. The opportunity was presented to observe any and all phases, and questions were freely answered. This observation took place over the period of more than a year. This was not just a series of questions and answers. The process was fully observed, with all its side lights and difficulties.

(2) **Interviews.** Seventeen insurance companies were interviewed at length concerning their executive job evaluation and salary administration in all its phases. About half of these companies were visited more than once, and in almost all cases several executives were interviewed. Several consultants and scholars were also interviewed.

(3) **Questionnaire.** A questionnaire (see Appendix) was developed after this observation period and these interviews, and was checked with some of these same executives. A total of sixty questionnaires was returned from the approximately 250 distributed.

It can be seen that progressively less information was being supplied from a growing group. The attempt was made to get from these sources a picture of what was actually happening and why, rather than what "should"
happen. The cases presented in Part II are a summary of this institutional information.

Scope and Limitations

The definition of executive accepted for this research was "anyone in the organization whose main job is planning, organizing, and/or controlling the work of others." The research then refers to these people. The question was frequently encountered, "What do you mean by executive?" There was no generally accepted definition in the industry.

This research has been limited to the insurance industry. The three primary reasons for this limitation were: (a) it was felt that limiting the study to one industry would make it more manageable, (b) the insurance industry, because of its concern with public relations or for other reasons, was known to be cooperative -- the companies and the executives turned out to be very cooperative, (c) the opportunity for an intensive and time-consuming observational study was presented by a particular large insurance company.

The main limitation placed on the results of the research is that with the information and conclusions drawn variously from the intensive study, the interviews, and the questionnaire, it is not pertinent to stress quantitative results (such as the inclusion of detailed tables). The search was more for a sense -- a qualitative
picture - of the administrative process involved. The fact that so much time was spent with one company, a lesser amount in the interviews, and no personal contact time with the questionnaires eliminates the possibility of equal stress. Most, although not all, of the interviews were made in Boston, a physical necessity. The intensive observational study was not. Because the State of New York uniquely publishes yearly a comprehensive set of books about the insurance companies which do business in that state (not necessarily have the home office there), the questionnaires were directed to these companies. All companies in this group which gave an indication of having over 100 employees were so contacted. For those companies where the information was known, a crude line of regression was constructed between certain financial data and the number of employees. These financial cut-off points were used in lieu of number of employees (100). It is felt that the lack of a defendably representative sample of the insurance industry in the United States by using the one intensive study, the Boston interviews, and the companies doing business in New York State does not seriously affect the usefulness of the results of the research vis-a-vis its purpose.
Contributions

Some work, though not much, exists on the a priori theory of executive job evaluation, and also statistical summaries of the Securities Exchange Commission and like sources. Little or none exists on the actual administrative problems involved. It is felt that this study presents new information (and its analysis) of an empirical and institutional nature. It is hoped also that inconsistencies are revealed, and that a synthesis is made between economic theory and the real world.

Elton Mayo stated in his book, The Social Problems of an Industrial Civilization: "Economics, like other human studies (Industrial Management?), would seem to have been over-eager to arrive at laboratory methods and to have ignored the need for continuous detailed study of all the various aspects of actual industrial situations."

Chester Barnard in his well-known book, The Functions of the Executive, stated: "Always, it seemed to me, the social scientists - from whatever side they approached - just reached the edge of organization as I experienced it, and retreated. Rarely did they seem to me to sense the process of coordination and decision that underlie a large part at least of the phenomena they described."

It is hoped that the methods and results of this study, at least in part, meet these criticisms, and that
they will be of general interest and use beyond the insurance industry.
PART I
An executive is anyone in the organization whose main job is planning, organizing, and/or controlling the work of others. Management, then, is the function of the executive. An organization is established with certain objectives in mind. It is the duty of the executives in the organization to interpret and modify these objectives and to insure that they are carried out.

In some circles, particularly in many companies, the term "executive" carries with it a connotation of "upper level management." In this sense, then, someone whose job it is to manage the performance of operatives, the people actually doing the work, is referred to as a supervisor as contrasted to an executive. The dividing line between the two is difficult to discern and arbitrary in any particular case. Rather than level, then, function will be the essential ingredient in the definition of executive accepted here.

Even this distinction in function is somewhat difficult to make, and in many cases of the first level of supervision, individuals perform operative functions as well as executive functions. The distinction made here is what is his main job. The Fair Labor Standards Act enacted in 1938 and amended in 1949, faces this problem
with the provision that to be classified as an executive, one must, among other things, devote not more than twenty percent of his hours worked to performance of duties not related to managerial duties.¹

**Executive Functions**

As previously stated, management is the function of the executive.² This, however, can be subdivided — commonly into the functions of planning, organizing, and controlling. Briefly, planning refers to the preliminary determination of what is to take place in its various details; organizing refers to the provision of all the factors in their proper relationship necessary to carry out the plan; controlling refers to the continuous assuring that the plan is taking place as previously determined. These plans are determined, provided for, and executed to accomplish the objectives of the organization most effectively.

Fayol, one of the pioneer writers in the field of management, indicated that the functions of the executive were planning, organization, command, co-ordination, and control. This five-fold division gives a narrower

definition of control, and therefore necessitates the inclusion of command and coordination as basic management functions.¹

Fayol's definitions include:

(1) Planning - "...both to assess the future and make provision for it...(and includes) the result envisaged, the line of action to be followed, the stages to go through and the methods to use."²

(2) Organizing - "To organize a business is to provide it with everything useful to its functioning: raw materials, tools, capital, personnel."³

(3) Command - "The organization, having been formed, must be set going and this is the mission of command."⁴

Command is the function of authoritative direction.

(4) Coordination - "to harmonize all the activities of a concern so as to facilitate its working, and success...to bear in mind in any activity whatsoever...the obligation and consequences such action involves for all the functions of the business...to accord things and actions their rightful proportions, and to adapt means to ends."⁵

²Ibid., p. 43.
³Ibid., p. 53.
⁴Ibid., p. 97.
⁵Ibid., p. 103.
(5) Control - "verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established...point out weaknesses and errors in order to rectify them and prevent recurrence."

Frederick Taylor, the "Father of Scientific Management," placed great emphasis on this idea of special functions for management (a group of people). His fourth Principle of Scientific Management was:

There is almost equal division of the work and the responsibility between the management and the workmen. The management take over all work for which they are better fitted than the workmen, while in the past almost all of the work and the greater part of the responsibility were thrown upon the men...

Thus all the planning which under the old system was done by the workmen, as a result of his personal experience, must of necessity under the system be done by the management in accordance with the laws of the science...

To summarize: Under the management of "initiative and incentive" practically the whole problem is "up to the workman," while under scientific management fully one-half of the problem is "up to the management."  

Of the executive's functions of planning, organizing, and controlling, it can be seen that Taylor's emphasis was on the first.

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Chester Barnard, past president of the Bell Telephone Company of New Jersey, in his well known book, *The Functions of the Executive*, sums up those functions as: 1

"the coordination of activities of others...Executive work is not that of the organization, but the specialized work of maintaining the organization in operation... executive functions (are) the specialized work of maintaining systems of cooperative effort...the executive organization as a whole...exists exclusively for the coordination of the efforts of the entire organization." 2, 3

Barnard in his emphasis of "maintaining systems of cooperative effort" does not, as he might, mention that in addition to the executive's own direct efforts at coordination, he has specific help. He may rely on his


"The manager will increasingly become a catalyst, rather than a carrier of authority, a problem stater rather than a problem solver. Not so much because the problems are of increasingly greater difficulty, or because of their complexity, but because of the sheer number of people who will be involved by a single decision, and the need for their acceptance of the decision."


"The final and perhaps most important element to be included in our concept of business leadership: coordination, or the creation and maintenance of organization."
staff control units for coordination of action, his staff planning units for coordination of thought, and his subordinates for cross-coordination.

It is interesting that Barnard separates executives as such from the executive organization or executive work. "In an organization of moderate size there may be a hundred persons who are engaged part of the time in executive work; and some of them, for example clerks and stenographers, are not executives in any ordinary sense. Nevertheless the activities of these persons constitute the executive organization...the distribution of work between persons or positions being for general purposes quite of secondary importance." This "secondary importance" is, of course, not the case in executive job evaluation and salary determination.

Barnard did not follow through from his observation as might be done. Any work, including managerial, tends to break down and allow for specialization with growth. Clerks and stenographers are examples of staff operatives who might well be assigned certain of the operative phases of the planning, organizing, or controlling function of the executive to whom they are accountable.

A broader breakdown of executive functions is given by Barnard as "first, to provide the system of communication; second, to promote the securing of essential efforts; and third, to formulate and define purpose."
Executive Motivation

Executives, as all employees, are motivated by certain forces. This motivation is important to an organization, because to the extent that the executives are properly motivated (and in turn, the operatives), in this measure will the organization accomplish its objectives. An incentive is effective if it offers the opportunity to satisfy these urges or motivating forces. The determination of the forces which are most important in motivating people in their pursuits of a livelihood is in the realm of psychology. These social scientists have come to a fairly general agreement on which are the most important forces. William Newman in his book on Administrative Action sets forth a comprehensive list including:

1. Higher financial income
2. Social status and respect
3. Security
4. Attractive work
5. Opportunity for development
6. Worth-while activity
7. Personal power and influence

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8. Treatment of each subordinate as an individual person
9. Voice in his own affairs for each man
10. Just and diligent supervision. 1, 2

A further discussion of several of these motivating forces seems pertinent here. Higher financial income as a motivating force may be brought about in several different ways for the executive. Some type of merit increase in salary may be given for quality of work in a particular position. Along this same line some quantitative measure may be placed on the job such as regional sales, division profits, or factory production output, and a bonus given for a specific period of meritorious performance. Higher financial income is also usually associated with promotion to a higher service level in the organization. Though this motivating force is given first, it is not necessarily the most important. The executive is beyond the point in compensation where

1See Jucius, M. J., op. cit., for a more compact list including: (1) Fair wages, hours and working conditions; (2) Economic security; (3) Opportunity for advancement and self-improvement, and (4) Recognition and feeling of worthwhile accomplishment and individual significance.

2See also: Fetter, R. B. and Johnson, D. C., Compensation and Incentives for Industrial Executives, Bloomington: Indiana University, 1952, p. 17:
"The most important...motivations in the opinion of the executives were as follows: (1) Achievement of desires, (2) Recognition of merit (including prestige), (3) Congenial environmental factors (such as equitable treatment and team spirit), (4) Fidelity traits (such as loyalty and personal ties), (5) Desire for power."
the basic physical needs of his family are in question of being met. However, it is a well established economic axiom that wants or desires always seem to exceed the means available to satisfy them. It will be pointed out below that financial income is important in connection with some of the other motivating forces.  

1See Yoder, Dale, Personnel Management and Industrial Relations. New York: Prentice-Hall, Inc., 1948, p. 351. He points out that: "Wage levels are matters of prestige. Wage rates are determinants of 'status.' Wages involve considerations of equity and hence of 'principle.' Wage earners may be dissatisfied or offended, not because wages fail to provide them with adequate income but because employees feel they are not fair, in terms of wages paid in other concerns, on other jobs, or in other areas. They (wages) reflect, in the minds of many employees, the whole philosophy of the parties to the employment relationship."

2See also: Benge, E. J., Burk, S. L. H., and Hay, E. N., Manual of Job Evaluation, New York: Harper & Brothers, Publishers, 1941, p. 10: "It is possible to operate a company on a low wage level or a high wage level - a fact that can readily be proved by comparing the scales of many companies within a given industry. However, strange as it may seem, workers are more keenly interested in their relative rates of compensation than in absolute amounts. The relativity of rates is the important desideratum; prestige is at stake.

3See in addition: Fetter and Johnson, op. cit., p. 20: Among the four major conclusions of this study was that, "Adequate monetary differentials should be provided if material progress is to be sustained. Acceptable differentials should be observed if this progress is to be achieved under a system of democracy and private enterprise."
The attitude of an executive's associates and acquaintances toward him is of considerable importance to him. Higher financial income is certainly associated in our present day society with measures of success. Also important in this respect are the organization itself, the executive's position in it, the specific title given this position, the physical conditions of the executive's work place - the thickness of the office carpet, etc.

Chester Barnard, in his chapter on "Functions and Pathology of Status Systems in Formal Organizations," in the book *Industry and Society*, states: 1

The function of status in creating and maintaining dependable behavior is probably indispensable... By status of an individual in an organization (is meant)...that condition of the individual that is defined by a statement of his rights, privileges, immunities, duties, and obligations in the organization, and, conversely, by a statement of the restrictions, limitations, and prohibitions governing his behavior, both determining the expectations of others in reference thereto.

Barnard places much importance on status as a motivating force in the organization: "maintenance of status and improvement of status are among the essential incentives to cooperation...prestige (status) for its own sake,

as a reinforcement of the ego, as security for the integrity of the person...is an important need of many individuals. They will work hard to satisfy it and forego much to attain it." Organizational apparatus by which status is established and maintained includes: "(1) ceremonies of induction and appointment, (2) insignia, (3) titles and appellations of address, (4) emoluments, perquisites, and privileges, (5) limits and restrictions of calling and office."

It is interesting how executive job evaluation and compensation pervades the list of motivating forces given by Newman. The association with higher financial income is direct. Status, it has been shown, is partly measured by financial yardsticks. The ease of this measurement has probably added to its importance. Economic security, to the extent that a man provides his own, is of course affected by his income. The attractiveness of the work is often viewed alongside the compensation it affords. In considering a new position, if it contains something like an excess amount of travel away from home, it is considered a good job only if this factor is justly compensated for. "Treatment of each subordinate as an individual person, voice in his own affairs for each man, and just and diligent supervision" all place restrictions upon the type of executive job evaluation and salary
administration plan which the company adopts. A plan which allows for differences in individuals, which is at least partially developed by the executives themselves, and which allows a superior to give just and diligent treatment to a subordinate will obviously be more acceptable than one which misses any or all of these characteristics.

Joel Dean emphasizes the success of the company as a strong management incentive:

Our high rate of innovation shows that management has effective incentives, though they may be to a large degree intangible. Aside from indirect financial rewards such as management bonus systems and stock ownership, there seems to be much psychic income in the form of prestige, control, and social glory in operating a growing firm. Under psychic theories of management income, retained earnings go both to stockholders as gains in market value of shares, and to management as an increase in the size of their domain.

(Management incentive)...has great economic significance, for technologically there seems to be no limit to innovation possibilities, and the only restraints on further advance are ability and the incentives to use it.

**Classes of Executives**

There are two important ways of classifying executives in an organization, both of which are an aid to executive job evaluation. On the one hand, executives may be classified on the basis of the level of the

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organization at which their work is performed. This classification, in effect from top to bottom, would run from the President or Chairman of the company down to the so-called first line supervisor. One broad grouping on this basis is into two components -- Administrative Management and Operative Management.

Administrative management, or administration as it is sometimes called, is that phase of management which has to do primarily with the accomplishment of organizational objectives over a time period. It is...group management...

There are certain characteristics of administrative management functions that distinguish them from operative management. Administrative management involves longer time spans...

The general administrative executive must be a "practical theorist." This work involves a high degree of futurity in planning, organizing, and controlling the organization's activities. Its success or failure depends largely on his ability to foresee and anticipate developments in the future. His effectiveness depends on his ability to visualize events that at best are only probabilities... His personal duties require breadth rather than intensity of knowledge and experience...

Operative management, in its simplest terms, is project management...An operative project, in business organization, is one whose accomplishment results directly and immediately in values that represent some achievement of business objectives...Operative management is concerned with the work of planning, organizing, and controlling the execution of such operative projects. It must be performed in a manner that will assure the effective, economical accomplishment of the final objectives in terms of quantity, quality, time, and cost. ¹

¹Davis, R. C., op. cit., pp. 160-166.
This classification of executives on the basis essentially of organization level has also been termed a "scalar" differentiation.¹

The other means of classifying executive positions is on the basis of function, or business activity. These functions differ between different kinds of organizations. A manufacturing company would have basic business functions such as production, marketing and finance. An insurance company would have basic business functions such as underwriting, claims, sales, and finance. These functions are considered basic because they must all be carried out specifically in order for the company to stay in business. It is through these functions that the economic utility for which the customer is paying is created. There are other functional divisions such as accounting, engineering, legal, etc., to which executives devote their time. These functions are essentially supplementary in that their specific performance makes it possible for the more basic functions to be performed with more economy and effectiveness.

A broad grouping of the functional classifications of executives may be made into the two major categories

¹See Mooney, J. D., and Reiley, A. C., Onward Industry, New York: Harper & Brothers Publishers, 1931, pp. 31-44; See also, Barnard, "Functions and Pathology," (Whyte, Editor), op. cit., p. 49.
of line and staff. This distinction, though difficultly and somewhat arbitrarily made in some instances, is the one referred to in the previous paragraph. Line functions are those which are basic to the economic activity of the business. It is through the devolution of these line functions -- underwriting, claims, sales, and finance -- that salable values are created for the customers -- they are the "sine qua non" of the business. In this sense, it is the supplementary functions which are referred to as staff. These staff functions are important, especially for economical and effective operations, but conceivably the business could continue without their being performed.\(^1\) The devolution of staff functions can only lead directly to specialization and a division of labor in the creation of these secondary values - economy and effectiveness.

These executive groupings -- scalar and functional; administrative or operative and line or staff -- are helpful in studying executive jobs; however, in actual practice the strict distinctions are frequently difficult to apply. A specific executive will fall into more than one category. His managerial duties will be both administrative and operative, and he may be responsible

\(^1\)Davis, R. C., passim.
for several distinct, and even unrelated, business functions. It is, however, helpful to use these concepts in order to perceive the different facets of his job.

Summary

An executive is anyone in an organisation whose job is planning, organizing, and controlling the work of others. Management is the function of the executive. The executive is responsible for the accomplishment of the organization's objectives, or the objectives of that portion of the organization which has been assigned him. The two prime ways of dividing executive jobs, as for purposes of executive job evaluation, are scalar and functional. The scalar division is by level, and the two broad classifications accepted here for this division are administrative management and operative management. The functional division is by type of work, and the two broad classifications accepted here for this division are line and staff. These latter classifications, of course, include many functions. The line classification in the insurance industry seems to include finance, marketing, claims, and underwriting.

An executive, as an employee, is motivated by many forces. The important point to be made here, however, is the pervasiveness in these motivations of executive
salary and the manner in which it is determined. Because of the important connections between executive job evaluation and salary administration, executive motivation, executive performance, and the accomplishment of organizational objectives, this study has been undertaken.
History of Job Evaluation

Job evaluation seems to have had its beginning with government employees. In the 1800's petitions were submitted to Congress by Government clerks who felt that some systematic plan should be used in determining their salaries. ¹ Congress passed laws in 1853 and 1855 which established several grades of clerks, with specified wages for each grade. However, the administrative facilities necessary to carry out this program were not adequate. The U. S. Civil Service Commission made an early attempt at job evaluation in 1871. ²

Frederick Taylor, with his emphasis on Scientific Management around the turn of the century, popularized a detailed analysis of each job followed by its measurement. However, his emphasis was on the time measurement of the specific motions performed. The Gilbreths broke down operations into elemental motions for the purpose of motion analysis. An analysis of the factors involved in each job, and an appraisal of the relative importance of

these factors, they did not undertake. But in 1909, the Civil Service Commission of Chicago, and shortly thereafter the Commonwealth Edison Company of Chicago, instigated formal job evaluation programs. In 1924, Merrill R. Lott introduced the first system which weighted independently a number of separate work characteristics. (His fifteen characteristics number more than most plans used today.)

During the Thirties, both as a result of collective bargaining encouraged by federal law and because the country was growing out of a depression period, wage levels increased. This increase in wages in many companies was not accompanied by equitable differentials. As a result of this, plus the rapid growth of many companies with the start of World War II, the difficulty of getting and keeping personnel, and possibly most important, governmental restrictions placed on wages, industry felt a great need for systematic Job Evaluation programs. The Wage & Salary Stabilization law stated in effect that wage increases would not be improved unless they aided "effective prosecution of the war" or it could be shown that maladjustments or inequities existed. The most appropriate way to demonstrate these inequities was with a job evaluation system.¹

¹Patton, J. A. & Smith, R. S., Jr., op. cit., p. 6.
After World War II, many books, articles, and pamphlets on Job Evaluation and related areas became available. Again during the Korean conflict, the Government Salary Control Program indirectly encouraged companies to handle wage and salary administration on a formal basis.

**Purposes of Job Evaluation**

Job evaluation, as currently conceived, is a formal and systematic means for determining the relative worths to the company of jobs within its organization. Lytle cites the following justification for a program of job evaluation:

1. To establish a general wage level for a given plant which will have parity, or an otherwise desired relativity, with those of neighbor plants, hence with the average level of the locality.
2. To establish correct differentials for all jobs within the given plant.
3. To bring new jobs into their proper relativity with jobs previously established.
4. To accomplish the foregoing by means of facts

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and principles which can be readily explained to, and accepted by, all concerned.

Job evaluation can become a control of importance because:

1. By reducing all essential job facts to convenient form it enables a management to implement policies of fairness.

2. By adopting sound principles and impartial techniques it trains the supervisory force to be more nearly objective.

3. By clarifying lines of authority and responsibility it obviates misunderstanding.
   (Actually, these lines of authority and responsibility should be clear from organization planning which comes before and underlies job evaluation, as is pointed out in the section on Organization Analysis. However, if inadequate organizational planning has been done, job evaluation may point this out.)

4. By substantiating confidence it lessens grievances and simplifies wage negotiations.

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Some of the objectives behind these stated purposes would seem to be:

(1) Maintain employee morale (it is at least as important to appear fair in approaching employee problems such as wages as in fact being fair).

(2) Supply an incentive to employees to develop themselves so they can move from the lower paying jobs to the higher paying jobs.

(3) Control salary expenses -- the company is usually limited by competitive conditions to a certain amount of money which can be paid for wages, and this money should be spent most effectively.¹

Job Evaluation Procedures

Job evaluation attempts to ascertain the worth of a position to the company. This is a twofold problem, though sometimes done simultaneously. First, the functional worth of the job must be determined. This may or may not be expressed in some unit of measure such as points. Functional worth represents the value of the

¹Benge, Burk, & Hay, op. cit., p. 4.
Job's contribution to the firm. The second part of the problem is to translate this functional worth to monetary worth. An employee is payed a certain number of dollars for a given time period. This is the monetary worth.

In order to determine the functional worth and the monetary worth of a job, certain related and complementary steps - a procedure - are necessary. Job analysis and job description precede the evaluation. Job evaluation pertains to determining the functional worth, and salary administration usually refers to determining the monetary worth.

Job analysis includes a thorough study of each job to be evaluated, its responsibilities and commensurate authorities, the background, skill, and experience necessary to handle the job, and the working conditions and effort required to do the job. These are not necessarily all considered separately, but the job analyst should be aware of them. The attempt is being made to get a complete picture of the job. Particular attention should be paid to those facets of the job which will be used later in determining its functional worth.

The job description in effect is a summary of this information. The summary should be in a form which is

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1 For a more complete treatment of this procedure with reference to the executive, see the sections on Executive Job Analysis and Description, Executive Job Evaluation, and Executive Salary Administration.
most useful in the further steps of job evaluation. It must contain the specific information necessary for evaluation. If the information is to be used for recruiting and placement, it should normally be presented in a slightly different form, which is called a job specification.

There are essentially four methods of job evaluation: ranking, classification, point system, and factor comparison. These are basic plans and modifications and combinations of these plans also exist. Actually they represent the four possible combinations of two sets of two variables:

A. A job is compared to -
   1. an abstract definition
   2. other jobs

B. The comparison is made using -
   1. the complete or whole job
   2. components or factors of the job

The different types of plans can best be portrayed with the following chart: 2

1 Yoder, Dale, op. cit., p. 416.
The Ranking Method of job evaluation is probably the most simple. Jobs are compared with one another with the decision being merely whether one job is worth more or less than another. Enough cross comparison is made until finally all the jobs are arranged in the order of their worth. It is somewhat akin to arranging cards alphabetically, only instead of using the alphabet, job worth is used. Only enough comparisons can be made to determine the proper placement of the particular job in the developing array, or each job may be compared to each other job with a plus given to the job of higher functional worth and a minus to the other. After all such comparisons have been made, the jobs are arrayed according to their number of plus signs. It can be seen that though this
method does arrange the jobs in the order of their functional worth, it does not indicate or suggest the relative difference in functional worth between any of the jobs. It does not say how much more one job is worth than another.

The classification system is probably the next most simple method. In this case, a series of general descriptions are drawn up to portray the type of job which each functional worth classification represents. When it comes to evaluation, the description of the particular job is read and is compared to the descriptions of the job classifications. It is placed into the classification it most closely approximates. When all jobs are done, the result is a series of groupings of jobs of approximately the same worth. The effort is usually made to write the classification descriptions so that the difference between each classification and the next higher represent equal increments of functional job worth.

The point system with its many variations is probably the one which is most commonly used. The determination is made as to what job characteristics or factors together best represent the value of the different jobs to the company. The number of these

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1 Benge, Burk, & Hay, op. cit., p. 21.
Factors may range from three or four to over a dozen. At the operative level, the factors most commonly used are: (a) skill, (b) responsibility, (c) effort, (d) working conditions. These factors may be broken down into as many as fifteen to twenty subfactors with each subfactor being individually rated. A certain number of points is assigned to each factor for its maximum value, and different levels for each of these factors are also determined with their appropriate point value. As an example, skill might be assigned a maximum of one-hundred points with the second, third, fourth, and fifth degrees of this factor assigned respectively eighty, sixty, forty, and twenty points. For each of these factors, and all the degrees of the factors, descriptions are provided.

When the actual evaluation takes place, after a particular job description is read, the job is evaluated a factor (or subfactor) or characteristic at a time. That is, with the job description in mind, it is determined which degree or level description of skill, for example, best fits the particular job. When this level of the factor is chosen, the point value assigned to this level is noted. This procedure is carried out for each of the factors or characteristics, a level with
corresponding points being chosen for each. Finally these points are totaled giving a point value for the job. This then not only indicates that one job is worth more than another, but expresses the functional value difference in a certain number of points.

The fourth general system in job evaluation is the factor comparison system. With this system also, determination is made as to what job characteristics or factors together best represent the value of the different jobs to the company. Rather than setting up an arbitrary scale of points for these factors, however, "key jobs" are chosen to be used as guides. Though key jobs are an integral part of the factor comparison system, it is possible that they may be used in conjunction with other systems. These key jobs are selected on the basis that they are jobs common to the community and the industry. The present pay of these jobs is well accepted, and they represent a fairly broad spectrum of worth. From the fact that the present pay of these jobs is commonly accepted as correct comes the decision that the payment for these jobs should remain as is, and that other jobs will be paid in relation to these key jobs. The next step is to rank the key jobs for each characteristic. For example, considering only the skill requirements of
the job, the key jobs are arranged in order of worth. This is done for each factor. The next step is to divide the pay of each key job among the chosen factors. In other words, the decision is made as to what portion of the pay for the particular key job is given for each of the factors. As an example, it might be decided by the evaluating unit - probably a committee arriving at independent conclusions - that of the ninety cents per hour paid the janitor, fifteen cents is given for skill, forty for responsibility, ten for effort, and twenty-five for working conditions. After this division has been made of the pay for each key job, the jobs are then arranged for each factor in the order of the money assigned to that factor for each job. That is, for the factor skill the order might be tool and die man $1.75, first class machinist, $1.35, and so forth down to janitor $.40. At this point some rearrangement might have to be done. It will be recalled that an arrangement of this type has already been made for each factor, but not using money, but merely ranking the jobs. The order of jobs within each factor might not be the same in both cases. If this is the situation, the order will have to be resolved and a final arrangement, and a money value be given for each key job for each factor.
The system at this point is ready to be used in evaluation. The description for the job to be evaluated is read, and as the evaluator is familiar with the descriptions of the key jobs, determination is then made for each factor, as to what key job in each factor most closely approximates the particular job for that factor. The corresponding money values so chosen for each of the factors are then added together and the total represents the value in money of the job evaluated to the organization.

Wage Administration

Following the functional evaluation of the jobs in terms of a ranking order or point values, it is still necessary to determine their money value. Perhaps a follow through on the point system would best illustrate this procedure. At the operative level the main guide for building a wage structure seems to be community wages. Industry wages are also usable for purposes of comparison. A scatter diagram is constructed, plotting dollar wages along the ordinate, and plotting point values along the abscissa. Community wage averages for common jobs are determined. These averages are plotted against the specific point values determined by the company for each

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of these common jobs. Through this scatter of points, in which a trend should be obvious, a line of regression is drawn. The drawing of the line may be by sight, or some statistical method such as "least squares." This line now represents the base line of the wage structure. Theoretically any company job for which a point value has been determined can be assigned a money value merely by using this chart, such as follows.

![Graph showing point values and corresponding money values.]

**Figure 2**

Then a company job rated at 135 points would be priced at $1.12 per hour.

In practice, however, this would mean that virtually each job would require a different rate of pay. To
simplify this, wage classifications are established (if this has not already been done as in the job classification method of evaluation). These classifications make it possible for the company -- the personnel department, the labor relations department, the payroll department -- to handle groups of jobs as the same for wage administration purposes. These wage classifications cover given point ranges, such as from fifty to eighty points, eighty-one to one hundred and ten, one hundred and eleven to one hundred and forty, etc. All jobs within these point ranges fall into the same wage classification.

These wage classifications also cover ranges of salaries rather than one in particular. In other words, a series of areas exist for payment purposes rather than a series of points. The revised scatter diagram, or wage structure, then looks like the following chart.

![Figure 3](image-url)
This picture of a series of areas means that in addition to the fact that a group of jobs is handled salarywise in the same manner, a certain range of discretion is permitted in selecting the particular salary paid to an incumbent of one of the jobs.

As to the slope and shape of this salary trend line, and also the width of the wage classifications, some experience has been accumulated. Over a relatively short point spread, or difference in job level, a straight line seems satisfactory, but as this spread increases a curved line seems suggested. This means that the progression is a geometric one rather than arithmetic. To quote from C. W. Lytle:¹ "Observation of work and earnings collectively, or by individual careers, should give everyone sufficient evidence as to the actuality of acceleration. Reasoning alone should account for this on the grounds that as increasing degrees of responsibility, education, etc., are demanded, the supply of competent candidates decreases rapidly thereby bidding up the compensation. But there is one psychological law which covers the phenomenon, viz., Webber's Law of Discrimination, which states that when sensations or responses are in

¹ Lytle, C. W., op. cit., pp. 175-176.
arithmetic relationship, the corresponding stimuli form a geometric series.\textsuperscript{1, 2, 3}

This means that progressions from one salary grade to the next are not of equal dollar value, but of equal percentage increment.\textsuperscript{4}

**Merit Rating**

Where a rate range exists in the Wage Administration plan, some provision must be made for assigning a particular salary to the job incumbent. It is common to give consideration to both a man's seniority and his merit in this determination. For this reason, a formal system of merit rating is used by many companies in this area.

Merit rating is defined as: \textsuperscript{5}

...a systematic, periodic, and so far as may be humanly possible, an impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities for a better job.

Actually there are many similarities between merit rating and job evaluation. However, in one case it is the man who is being evaluated (within his job) and in

\begin{itemize}
    \item \textsuperscript{1} Patton, J. A. & Smith, R. S., *op. cit.*, pp. 169-170.
    \item \textsuperscript{2} Yoder, Dale, *op. cit.*, p. 426.
    \item \textsuperscript{3} Davis, R. C., *op. cit.*, p. 794.
    \item \textsuperscript{4} Hay, E. N., "Control of Salary Expense," AMA Financial Management Series #79, 1945, p. 6.
    \item \textsuperscript{5} Lytle, *op. cit.*, p. 231.
\end{itemize}
the other case the job which is being evaluated independently of the man. Here again in Merit Rating the comparison may be done between individuals -- a man to man or paired comparison approach -- or the comparison may be done against predetermined degree definitions. If a systematic plan has been developed, this comparison is done on various factors considered important in the employee's make-up by the company.

It is this evaluation of the employee which makes it possible for his supervisor to determine his salary within the prescribed range. Mr. E. N. Hay feels, with others, that this last salary determination be made by the individual's superior and no one else. "Department heads should participate actively in giving or refusing salary increases. Regardless of titles, the man who has power to give or deny pay increases is the boss. Put that power somewhere up the line beyond the department head, and you weaken his authority by just that much."

"Cash salary increase budgets should be allotted to departments, so that supervisors can always know how much money they have for salary increases within a given period. The department head should have freedom of decision within his budget. The size of each department's budget will depend on two things: (1) the size of the department measured by its current payroll in
dollars, and (2) the average level of salaries in the department -- that is, how close to maximum or minimum the average department salary is. Obviously you can't allow as much for increases in a department where salaries are near maximum as where they are near minimum. 1, 2

Summary

Job evaluation is a formal and systematic means for determining the relative worths to the company of its jobs. Following a functional evaluation, it is necessary to make a conversion to monetary worth. This is included in salary administration. The four basic systems of job evaluation are ranking, classification, point system, and factor comparison. Wage administration establishes the relationship between functional and monetary worth through community and industry comparisons. Most wage administration systems allow for a salary range -- some choice between a minimum and a maximum for each job. To help make this choice, merit rating is used as a formal system for evaluating the man within his job.

Though formal job evaluation and salary administration, and its development, has been largely restricted

to operative positions, an understanding of its development at this level gives some insight into its application at executive levels.
WAGE ECONOMICS

Wages represent income to their recipient, they represent cost to those who pay them, and to both, wages represent a price. Wages are the price of labor -- a factor of production. Prices and the price system facilitate two of the main problems in an economy, i.e. "controlling the allocation of resources to the production of various goods and of the total output among the various groups engaged in production."¹ Labor, including the executive, is both one of these resources or factors of production and also one of the various groups engaged in production, i.e. involved in distribution. In one sense, then, labor is a productive commodity which is priced in a market as are other commodities. In another sense, of course, labor represents the time and effort of human beings. By what factors are wages -- the prices of labor -- determined?

Supply and Demand

The price of any commodity is determined by the relative supply and demand for this commodity. Price or value is a function of scarcity, and a commodity is

scarce only in the sense that more of it is desired than is available. It can be seen then that neither a commodity which no one wants, nor a commodity which is in unlimited supply has any scarcity value. The price is zero -- why should it be any higher. On the other hand, most things in our world including labor are relatively scarce (as defined), and it is the price mechanism which regulates their allocation.

Both a demand and a supply schedule can be conceived. A demand schedule simply represents at a given time various prices of a commodity and the respective quantities which would be purchased at these prices. The normal relationship, of course, between price and quantity demanded is inverse, i.e., the lower the price the larger the demand. In the same manner, a supply schedule represents at the given time various prices of the commodity and the respective quantities which would be offered or supplied at these prices. The normal relationship is, of course, direct, i.e. the higher the price the larger the quantity of the commodity which will be offered. The use of these schedules in economic theory is that they point out how in a free market, supply equals demand at one price, and it is at this price (and in this quantity) that the commodity is exchanged.
The most commonly accepted general theory of the demand for labor (with related prices) is the "marginal productivity theory." In essence, this states that "the demand price equals the marginal physical product times the price of the product" (the marginal revenue). ¹, ² In other words, the demand price for the services of an executive equals the value of the marginal product due to his presence in the firm. This is equal to the difference in the firm's profit (without considering the executive's salary) with and without this executive position. This is a direct measure of the importance of the position to the firm. One of the best indications of this importance is: what is his function, what functions is he responsible for, what is the importance of this function. Gordon points out the difficulty of this kind of marginal analysis for executive positions, however.

² Yoder, Dale, op. cit., p. 387. "The process thus outlined (marginal analysis) is not only an abstract generalization describing a logical procedure that is assumed to underlie market behavior. It is an analytic tool, to be used in understanding basic tendencies in the wage-fixing process. It can never be taken as an explanation of individual wage differentials. It explains tendencies operating to determine wages of groups of workers assumed to be homogeneous and interchangeable."
"Top management represents, in the economist's language a relatively 'indivisible' factor of production. We cannot continuously add in a particular company more and more managers or more and more hours of decision-making by one executive and thereby measure the difference in the effects on the company's profits by adding or taking away one small unit -- as we can to some extent with a homogeneous labor force or with money capital.\(^1\)

The commonly accepted theory of supply is the cost theory. A supply curve is a cost curve. An additional unit is supplied at the total cost assignable to producing this marginal unit. With productive services including labor, especially executive service, this cost can be associated with the difficulty and trouble necessary to supply this service, i.e. education, experience, sacrifice of leisure or more probably relative complacency, etc. Another view on the aspect of cost in regulating the supply of a productive service is the concept of "opportunity cost" or alternative use. If an executive's labor may be used in several slots in the economy, the cost to the particular use in question will be the highest price which would be paid for an alternative use.

\(^1\) Gordon, \textit{op. cit.}, p. 277.
One of the complications in applying economic theory to the determination of executive salaries is that these salaries do not fall completely into the category of "wages" (from the classifications of wages, rent, interest, and profit) but also partially into the category of profits. "Some economists think wages of management, even when paid as salaries (rather than as dividends) should be included in costs, others think they are part of profits."¹ The entrepreneur's function in the modern large corporation is splintered. The job of continuous creation and organization is not handled solely by an owner, but largely by the different executives (and operatives) of the company. Profits are the payment for successful entrepreneurship and are frequently due to fortuitous changes in the economy. They are not passed on to the owner entirely (stockholder or mutual policyholder) but are also "plowed back" into the company and paid as bonuses and raises to the executives. As Triffin has stated, profits are dynamic in origin and institutional in appropriation. As pointed out in Baker's early book on executive salaries, "We have long since passed the stage in which stockholders, who merely invest capital and leave it wholly to management to make

¹Dean, Joel, op. cit., p. 4.
it fruitful, can make absolutely exclusive claim to all profits against those whose labor, skill, ability, judgment, and effort have made profits available.\textsuperscript{1}

To the extent that a portion of management salaries may be residual in the same way that profits are, to this extent management salaries are comparable to profits. It is probably this residual nature rather than any inherent right of management to profits which causes the economist to make this inclusion.

Markets

In the markets for commodities including labor, the market structure may vary. A market is perfectly competitive when: (a) there are a large number of sellers and buyers (large enough so that no one individually has an appreciable influence on price), (b) a standardized commodity is supplied so that the buyers do not tend to single out individual suppliers, (c) buyers and sellers have complete knowledge of the market, (d) the mobility of the factors is not restricted.

However, few markets are perfectly competitive, this being especially true of the labor market, including the

executive labor market. One of the most obvious "imperfections" is perhaps that the commodity supplied is not standardized or homogeneous. Not only are there many occupations just within executive jobs of an insurance company but these differ from the same type of job in other types of business and even in other insurance companies. Also the performance of the people themselves will differ even for the same job in the same company. As Joe Bain says, "Labor as a factor of production is not a homogeneous commodity but a series of imperfect substitute commodities differentiated by skills, quality, and location. Buyers do not demand labor in general but have an express demand for each type. Sellers of labor similarly offer some specific type of labor, at least at any one time. For each skill or special type of labor service there thus tends to be a separate market, with its own conditions of demand and supply, and with a quasi-independent price-determining mechanism."\(^1\)

In the executive labor market, there are no unions such as in the operative labor market so that the number of sellers is not usually restrictive; however, the number of buyers is restrictive. If one of the large

insurance companies raised all levels of executive salaries considerably, this action would probably have some affect on the market. "Monopsony or concentrated buying is extremely common in the factor markets, and especially for labor. The fewness of buyers of labor stems generally from the high concentration of the output and employment of most industries in the hands of few firms (from oligopolistic market structures)...." This is the "more or less 'natural' result of industrial concentration and of the nonhomogeneity and imperfect mobility of the total labor supply." This monopsony or oligopsony with competitive selling in the labor market "is perhaps the typical situation in the absence of unionization."¹ With a union present, a monopoly wage will tend to result. Combined with monopsony, a union will bring about bilateral monopoly, the result of which is a bargaining situation.

Information as to executive pay is probably as easy to come by as most wage information. The fact that the yearly New York Insurance Department Report includes executive salaries facilitates this. However, other information is not so readily available such as all

¹Bain, Joe S., op. cit., pp. 451-453.
financial and non-financial benefits and the exact nature of the different jobs. Probably the sellers -- the executives themselves -- have less information concerning all of these factors than the buyers -- the insurance companies. The executive does not actually have much direct contact with the labor market. Insurance Companies, as most American Corporations, "promote from within" in the large majority of cases. Promotion from within, if not making possible executive exploitation in a small degree, at least restricts the executive's information as to the market for his services. That is, if each time an executive position were open, all companies would go outside their own executive group and actively "bargain" with the insurance executive market, this executive information would be less imperfect.

One personnel director mentioned that the "published New York reports are used as a guide in committee meetings" for determining executive salaries. One President "checks executive salaries in Springfield, Hartford, and New York with other Presidents, to get the executive salary picture," "the Vice Presidents do the same for their people." "We rely essentially on what competition pays." One Executive Vice President mentioned he "calls up other companies -- people I know,"
and ask what specific executive jobs are paid." "They won't write you a letter," but information of this sort is freely passed along over the telephone to personal acquaintances.

Many factors limit executive mobility. Probably the most important of these limitations is the fact that one of an executive's main working tools is his thorough knowledge of his company, its operations and especially its personnel. This he cannot take with him to a new company, and to acquire this background at a new company will take considerable time and trouble. At higher executive levels a detailed knowledge of procedures, etc., is not important, but a working knowledge of one's superiors, associates, and subordinates -- their strong points, short-comings, etc. -- is certainly of some value to any executive. A risk also is involved in the transfer from an old, and presumably successful job, even in the same company, to a new job. In addition to these mobility restrictions for executives, they also have ones similar to operative employees, such as community and family ties. "The 'natural" barriers to mobility among occupations inhere in the differences among individuals' abilities, differences in extent and type
of education or training, and differences in personal preference regarding type of work.\textsuperscript{1}

Summary

Wages are the payment for labor, and as a price are in some way a function of demand and supply. Demand is a function of marginal revenue -- importance to the firm. Supply is a function of cost -- difficulty for the individual. For markets to determine prices as outlined in classical economics, certain market characteristics are necessary (information, mobility, numbers, homogeneity, etc.). Probably none of these requirements are strictly met in the executive labor market. Economists themselves point this out. However, for an understanding of underlying forces, wage economics are helpful.

Much of the foregoing has an implicit recognition of the fact that "...most wage rates are 'made' by conscious action of people we can identify, not by impersonal forces."\textsuperscript{2} In other words, though the impersonal forces of supply and demand influence wage rates including executive salaries, some discretion exists in their determination by a company's management, and the less perfect the market, the more the discretion which exists.

\textsuperscript{1}Bain, Joe S., \textit{op. cit.}, p. 447.

"As a business institution, insurance has been defined as a plan by which large numbers of people associate themselves and transfer to the shoulders of all risks that attach to individuals. It has as its end the reparation of a serious injury to individuals at a moderate cost, by arranging a means whereby if a certain loss fall upon one it shall be made good at the expense of many." ¹

Not only has modern insurance made it possible to share the economic burdens associated with risk, but many insurance carriers are continuously working on the reduction and elimination of risks. This is done through inspection and advice, pamphlets, and advertising and promotion through most media. The insurance industry is composed of all those companies and individuals who are concerned with financing, creating, and distributing this insurance service.

As measures of size of the insurance business in the United States, possibly several figures will be of value:

(1) In 1948 the insurance industry in total produced about one and one-quarter (1.24) percent of the national income.\(^1\) This represents the sum of the factor costs — labor and property — and therefore means net value added.

(2) Total premiums written in 1948 exceeded 12 billion dollars.\(^2\) This figure roughly represents the sales of insurance companies.

(3) The number of insurance companies, reciprocals, fraternal orders, and assessment associations reporting to the Bureau of Census in 1948 was 1488.\(^3\)

(4) The number of employees, both full time and part time, in December 1949 of Insurance Carriers and agents, was 631,000, which was a little over one percent of the total United States employment.\(^4\)

**History of Insurance**

There are records which indicate that insurance in the form of higher interest rates for loans to risky ventures existed back in the times of ancient Babylon,

\(^2\)Ibid., p. 433.
\(^3\)Ibid., pp. 427-432.
India, and Greece. These ventures were frequently associated with seagoing projects. If the venture were lost, the loan was considered cancelled.¹

By the Middle Ages, the money lender had been supplanted by the underwriter as the risk bearer and the insurance premium became separated from the interest rate. Marine risks were the first handled this way, then some life insurance policies were issued, and finally the London fire of 1666 suggested the need and usefulness of fire insurance.² Establishing the first of many governmental controls of the insurance business, Barcelona, Spain, passed ordinances having to do with insurance regulation in 1436, 1458, 1461, and 1484.³

The early underwriters were merchants who engaged in this as a side line to their regular activities. Brokers acted as agents for these underwriters in contacting the persons desiring insurance. Because there was no established center for carrying on this business specifically, brokers and underwriters in London tended to use coffee houses. The most popular of these coffee houses came to be that of Edward Lloyd. Several insurance

¹Magee, op. cit., pp. 1-4.
³Magee, op. cit., p. 6.
associations and companies were formed in England around 1700. The first American insurance company was formed in 1752, The Philadelphia Contributionship, a fire insurance company. It is the oldest mutual insurance company now in business. The Insurance Company of North America is the oldest American joint stock Company and was chartered in 1792.1

In the first part of the 19th Century, states began to pass laws concerning the restriction and supervision of insurance companies. The quasi-public nature of this business seems well accepted by now, and recently (1944) the Supreme Court held that insurance was commerce, and of course interstate, making it subject to federal legislation. Up to this time, all regulation had come from the states. The emphasis of this regulation had been "first to maintain the solvency of the insurers so that they may be able to meet claims when they develop, and second, to provide safe insurance on a reasonable, fair, and non-discriminatory basis."2

Different Sections of the Insurance Business

For purposes of classification the insurance business is usually broken down into three broad categories.

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1Magee, op. cit., pp. 7-16.

These three are (1) Life insurance, (2) Fire and Marine insurance, and (3) Casualty insurance. Life insurance protects the insured's family or creditors against economic loss which may follow the death of the insured. Besides actual death, this also may include disability and retirement.

Fire and Marine insurance reimburses for economic loss on property due to fire, lightning, storm, breakage or leakage of sprinklers or water pipes, risks of transportation or navigation, and actions of the elements. It also includes every insurable interest connected with this property such as a loss of income therefrom but does not cover injury to the person.

By process of elimination, casualty insurance then covers that insurance not classified as marine, fire, or life.¹

Up until the twentieth century insurance companies handled only one line of business, but since 1910 the multi-line company has become fairly common.

Even though problems do differ between the distinct fields of insurance, together the fields form a fairly homogenous industry. "One unfortunate effect of the statutory and practical separation of the insurance

¹Magee, J. H., op. cit., pp. 52-56.
business into distinct fields is the lack of appreciation of those engaged in one field that the problems of that field have their correlatives in the others. The essential unity of insurance principles is lost to sight, and instead there comes subconsciously the impression that the insurance business is not one, but several. While there are vast differences in the details of the problems presented to the insurance carriers in the different fields, and while these problems take on different aspects according to the nature of the carrier's organization, they do relate to things of the same nature. Their correct solution is governed by the same principles.\textsuperscript{1}

Ownership Differences in Insurance

Insurance carriers may be broadly grouped into six categories:\textsuperscript{2}

(1) Stock Companies
(2) Mutuals
(3) Lloyd's
(4) Reciprocals or Inter-insurers
(5) State insurers
(6) Self insurers

\textsuperscript{1}Mowbray, op. cit., p. 306.
\textsuperscript{2}Magee, 1947, op. cit., p. 34.
This study is limited to the first two groups -- Stock and Mutual companies -- which comprise by far the largest portion of the business.1

Stock companies are similar to other American Corporations. Stock is owned by private investors who expect dividends on their investment. The insured of this company in their relationship to the company are similar to the customers of any corporation.

Mutual companies on the other hand, are essentially co-operatives. The customers of the company are the owners, and vice versa. The excess of income over cost belongs to the customer, and is largely returned to him. That profit which is not returned to the customer-owner is added to the company's reserves.

Lloyd's of London and other so-called Lloyd's groups are corporations, but the underwriting is carried on by its members separately and in groups. The corporation, as such, does not underwrite, but merely sets up standards and facilitates the business of its members. Reciprocals or inter-insurance are a form of mutual insurance where each policyholder insures and is insured by the others. An attorney-in-fact carries on the business for the

policyholders. State insurance is carried on by the state and federal governments. Self insurance refers to a company or individual covering his own losses with what would have been premiums to an insurance company. This procedure can vary from a systematic accumulation and accounting of capital in connection with many units (the many stores of a large chain) to a condition which represents a complete lack of insurance.

**Company Organization**

An insurance organization, like any other business organization, has certain functions which it must perform in order to supply the economic services which are expected of it, and for which its customers are paying. Those functions which are organic or basic to the organization are: (1) finance -- providing the necessary capital when needed for supplies and equipment, payrolls, and payments to policyholders; (2) sales -- securing the necessary business; (3) underwriting -- evaluating and selecting risks and ascertaining the proper charge or premium for these risks; (4) claims -- determining the validity of policyholder claims and making payments therefor.¹

¹See the section on Functional Analysis under Organization Analysis for a discussion of the nature - line and staff - of these functions.
In addition to these functions, it is necessary to keep account of incomes and expenditures, to procure personnel, and to perform many other supplementary activities. In accordance with the economics of specialization of labor, or function, many of these supplementary functions are conducted by specialists who have their own groups or departments.

The insurance company may be organized along three general patterns: (1) by territory; (2) by kinds of business written; (3) by basic functions performed.¹ These patterns for grouping tend to be common to all types of business organizations as they become large.² Kinds of business written corresponds to product line. Since physical factors are unimportant in the insurance industry, no classification allowance is made for them.

A company may have a Vice President or General Manager for each state or region in which it does business, such as New England, New York State, etc. This executive would then be responsible for all of the insurance activities conducted by the company within his region. This individual and his group may be located

¹Howbray, op. cit., p. 434.
²Davis, op. cit., p. 343.
in the company's home office, or actually be placed out in the region.

Some companies which handle more than one major line of insurance establish a Vice President or General Manager for each line of insurance such as Life, Fire, etc. This executive then would be responsible for all of the insurance activities carried on by the company within his particular line of insurance.

Other companies have Vice Presidents or Managers for each of the functions performed by the company, such as Sales, Claims, Personnel, etc.

In the above three cases, the Company President would be responsible for coordinating, respectively, territories, lines of insurance, or functions. The first two are usually referred to as decentralized organizations, while the third would be called a centralized organization. There are, of course, combinations of these breakdowns. A company with a Vice President in charge of each major function may have its sales organization with a manager of each state and its underwriting organization with a manager of each line of insurance, and its accounting organization with managers of particular accounting functions.
"Human nature being what it is insurance must be sold, for it is rarely bought."¹ In the insurance business the department responsible for doing this selling is frequently called the agency department. These departments are organized along one of three general lines:²

(1) General Agency -- contracts are made with individuals to represent the company in certain territorial divisions of the company for a fixed term defined in the contract. This individual then hires his own agents.

(2) Branch office -- each branch office in charge of an officer of the company or a salaried manager - in some cases of decentralization, this branch office manager is in charge of all phases of the company's business.

(3) Direct reporting systems -- direct contact between the local representative and the head office.

A large part of the expense of furnishing insurance is the cost of competitive selling.

¹Howbray, op. cit., p. 385.
²Ibid., p. 352.
The jobs of an underwriting department are:

(1) Developing and maintaining types of insurance protection and contracts which conform to sound underwriting standards and meet the needs of the insuring public at a fair and reasonable price or rate. To accomplish these objectives requires the design of liberal policies and endorsements (amendments to the contract); making of rates on an adequate and fair basis; and careful selection and appraisal of policyholders based on a sound analysis of the risk or hazards involved.

(2) Auditing the financial records of policyholders under those policies which use a variable, such as payroll or gross earnings, as a basis for computing premium.

(3) Computing premiums and preparing and issuing policies, endorsements, and invoices which are routed through other operating departments for transmittal to policyholders.

To assure that the company gets the types of risks it wants, instructions to this end are frequently issued

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to the agents in the field.

The claims department has the job of determining:

1. That a loss has in fact been sustained.
2. The cause of the loss, in order to determine whether it was covered by the policy.
3. The actual amount of the loss sustained.
4. Whether someone other than the insured was responsible for the loss from whom the company might obtain damages.

These functions require both a thorough understanding of insurance principles and policy provisions and insight into human nature. The public has to be handled both fairly and firmly. Unless there is certain fraud, the public does not tolerate a "hypertechnical" attitude by the carriers.

The insurance company is a financial institution, and as such must manage and invest sizeable funds, in a manner quite similar to that of Trusts. This capital must not only be protected in order to meet claims against the policies, but it is expected to yield a return in order to reduce the cost of this insurance. Some insurance policies are primarily savings policies, and

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1 Nowbray, op. cit., p. 378.
depend on this yield. The financial department of the company is responsible for meeting these obligations.

The inspection, engineering, or safety department, which is usually found in casualty and fire insurance companies, aids the underwriting department in its selection of risks based on physical conditions. Once the risk is accepted, inspectors are sent from this department to aid in reducing its hazard to a minimum. This is done through contacting the specific policyholders periodically in order to give advice, which if taken sometimes reduces their premium rate.

This reduction of risks (and claims) is also approached in a broadside manner by many companies. The approach may be through advertisements, pamphlets, lectures, courses, and other methods.

Many departments, other than those described, exist in most companies. These include personnel, accounting, legal, actuarial, public relations, statistical, medical, office management -- the list is almost endless. In line with most organizations, the larger the company the more specialized departments it probably has. The small companies, on the other hand, may perform all the same

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functions in a less formal manner with but a few depart-
ments.

Summary

The Insurance Industry provides the country with the
economic service of risk sharing. This service is per-
formed through the organic functions within an insurance
company of finance, marketing, claims, and underwriting.
Measured by either its contribution to national income or
number of employees, the Insurance Industry constitutes
between one and two percent of American Industry. For
purposes of classification, the industry may be broken
down into life insurance, fire and marine insurance, and
casualty insurance. Stock companies and mutual companies
constitute the basic ownership types.

The insurance industry serves almost every industry
and individual in this country. With an economy as
prosperous and as highly specialized as ours, there are
few who are not dependent on insurance companies for their
convenience and security.
ORGANIZATION ANALYSIS

Before executive jobs may be properly evaluated, they must be thoroughly understood and described. It is necessary to understand the organization itself, before understanding an individual executive job within the organization. This process, which is called organization analysis, is merely an application of seeing the forest before the trees.\(^1\) Organization analysis encompasses the study of the objectives and responsibilities of the organization, the functions which must be carried out to accomplish these objectives, supplementary functions for internal purposes of the organization, and the different pattern or structure of these functions.

Objectives and Responsibilities of the Company

The average economist makes the simplifying assumption of the "economic company" in the same sense as the "economic man." That is, a company's objective is to maximize profits. This may have some advantages for economic analysis, but it suffers some of the same shortcomings of the "economic man" concept -- it is not complete.

\(^1\)Newman, *op. cit.*, p. 361.
Barnard refers to "...the exaggeration of the economic phases of human behavior which the early formulation of economic theory made far too convenient." Elton Mayo devotes a whole chapter in his book on The Social Problems of an Industrial Civilization to the inadequacy of this economic theory, including "...a primary assumption of 19th century economic theory is no longer tenable. Even 100 years ago, it was probably easy to believe in the essential relevance and propriety of the principle that the pursuit of individual interest is the basis of economic organization. But, although this assumption is still voiced by economic and political theorists, it is perfectly clear that business and political practice are based nowadays upon a vitally different conception of human society. This divergence between theory and practice is perhaps the source of at least part of the confusion that prevails in politico-economic discussions of the present. Whereas the economic theorist of the university still assumes individual interest as a sufficient basis for theory and the development of economic insight, the administrator with actual experience of handling human affairs bases his action upon a contrary,

\[1\] Barnard, op. cit., preface, p. ix.
but empirically derived assumption... The idea of profit
motive...concedes too much to economics.\textsuperscript{1}

It is undoubtedly true that an investor places his
savings into a going concern in order to receive dividends;
however, does the customer pay his money in order to
maximize profits, does the worker invest his time and
effort in order to maximize profits, does the community
accept a business concern on the basis of profit maximiza-
tion? The answer to these latter questions are, of course,
no. The question then arises as to what is a business.
If the definition to be accepted, as it is here, is that
it is a group of people associated in an economic endeavor
for their mutual benefit, then they all must benefit, and
it is management's responsibility to see to it that they
do. A business to survive, and continued survival is
probably the main objective as seen by most executives,\textsuperscript{2}
must satisfy all of the groups which are associated
through it -- the investor must receive his dividends for
capital invested, the customer his values for payment
received, the employee his wages and acceptable working

\textsuperscript{1}Kayo, Elton, \textit{The Social Problems of an Industrial
Civilization}. Boston: Division of Research, Graduate
School of Business Administration, Harvard University,
1945, pp. 36-38.

\textsuperscript{2}From several addresses by Professor Erwin H. Schell at
Massachusetts Institute of Technology.
conditions for effort and time spent, and, to be realistic, the community acceptable behavior for its acceptance. How are all these objectives and responsibilities to be satisfied? The means whereby these demands are met is the creative process of the organization -- the creation of salable goods or services. 1, 2, 3

It is this creation of goods and services -- the service objective -- which may be conceived as the organization's primary objective for purposes of organizational analysis. This objective of the organization is distinguished from personal objectives of organization members. As Simon points out however, "...the organization objective is, indirectly, a personal objective of all the participants. It is the means whereby their organizational activity is bound together to achieve a satisfaction of their own diverse personal motives." 4

An insurance company satisfies these objectives and responsibilities through the creation, distribution, and servicing of certain values. Regardless of the particular

1 See Davis, R. C., op. cit., Chapter 4, for an extensive (parallel though not identical) discussion along these lines.

2 Dean, Joel, op. cit., pp. 29-33.


4 Ibid.
responsibilities or personal objectives of the organization members emphasized, the means of accomplishing them is the performance of some economic service. These values are for the insurance company in essence the sharing of economic risks.

A business must also be economical and effective in the accomplishment of these objectives as the available resources are limited and competition poses an ever-present threat. An understanding of the relationship between a particular job to be evaluated and the organization's primary service objective and/or its secondary objectives of economy and effectiveness should give some insight into the functional worth of the executive position.

**Functional Analysis**

The next step in organization analysis is to seek an understanding of what functions are necessary in order to perform the above mentioned service, and what complementary functions contribute to the economical and effective performance of the primary functions.

The financial function in insurance, as in other industries, provides and continues to provide the necessary wherewithal to create this service of risk sharing. One of the main subfunctions of finance in the insurance
business is the maintenance of capital. Particularly in the life insurance field, money is accepted from the policyholder which will not be returned in kind to him or his beneficiaries for a long period of time. It is necessary not only to conserve this capital, but also to produce income from it currently in the form of dividends and interest.

The creation of the value or service for which capital has been provided, similar to the production function in a manufacturing business, is performed through the underwriting function. The risk is ascertained, including its potential cost and actuarial, a posteriori, or empirical probability of occurrence. Individual risks are selected (approved). The signed contract or policy legally creates the value -- the risk is now shared through the company with the other policyholders. However, the follow-through on the underwriting function is the claims function. The means whereby the risk is economically shared is the claims payment which is made when the loss occurs. This claims function includes the verification of the propriety of the claim (to protect the company and its policyholders from unjust claims), and its proper valuation. Because claims and underwriting together perform the making of the utility
they may be conceivably be grouped together in this sense. Mr. John Heubner, Vice President of Penn Mutual Life Insurance Company, groups the two functions together under the heading of "Operations."¹

The sales or marketing function, similar to business in general, includes the distribution of the services or values created. This is the creation of possession utility and can take place both through personal selling and through advertising. The potential policyholder must be made aware of his risk, and the possibility of sharing it, and convinced of the particular company's economy and effectiveness.

One other insurance function which may conceivably be thought of as a primary or line function is that of risk reduction. Though this is not insurance, as such, values are created for the policyholder. It is possible that some of his risks may be reduced or eliminated in addition to being insured, or shared. The nature of this function differs greatly with the type of insurance business, but the purpose is the same -- risk reduction or elimination. In the life insurance business, this is manifested mainly in health education -- pamphlets and advertising on obesity, heart disease, etc.

¹Personal interview, September 5, 1951.
Metropolitan Life Insurance Company is probably the best example of this. In the casualty business such as automobile liability insurance, this function is manifested in safety campaigns and high school driver education. Probably the most highly developed form of this function is in the fire insurance field, particularly industrial fire insurance. Here large crews of specialized engineers are continually inspecting the policyholders' plant and equipment in order to reduce the fire hazards.

These functions then, with the possible exception of the last, are the functions which, in the insurance industry, create the values for which the policyholder pays. Other functions are performed in an insurance company in order that these primary functions may be performed more efficiently and effectively. It is conceivable that the executives and their immediate organizations which are performing the primary functions could also perform these complementary functions. However, as Adam Smith pointed out, there are advantages to specialization, and in most insurance companies these duties become "functionalized," that is, separate groups are established to perform these functions only. Included in these are such functions as personnel, accounting, actuarial, legal, public relations, and building services.
All of the above functions, primary and secondary, may be broken down into subfunctions which in turn may again be divided. In organization planning, it is necessary to make these distinctions aside from the particular (present) organization. In organization analysis for purposes of executive job evaluation, it is necessary to understand how these functions have been subdivided within the particular organization in question. The term "line" is applied to the primary functions described above. The term "staff" is applied to the secondary functions enumerated above. These same terms, line and staff, may be applied to the divisions in the insurance company which performs these functions.

A useful distinction to be made in the subdivision of these functions is whether the subdivisions are actually performing some phase of the mother function or is their purpose essentially to contribute to the economy and effectiveness of the mother function (which in turn may be a contributor to economy and effectiveness) rather than a creator of salable values for the customer. Professor R. C. Davis makes the distinction that a line function is creating salable values for the company's customers.¹ A primary staff function is one that is

¹ Davis, R. C., op. cit., passim.
performed for the benefit of the company or one of its line functions; and a secondary staff function is performed for the benefit of a primary staff function (adding to its economy or effectiveness). The benefit of this type of distinction in executive job evaluation is that it gives added information for the purpose of understanding the purposes of certain functions, and therefore some possible clue to their value.

**Service Levels**

The number of service levels in an organization is largely dependent on the volume or quantity of work which must be performed at the operative, worker, or clerical level in the different functions. The number of levels is also a function of the span of operative supervision and the span of executive control. By this is meant the number of operative employees which may be supervised by one individual, and in turn the number of supervisors or executives which may be supervised by one individual.

This concept of service level is the scalar method of studying the organization as opposed to the functional

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1 See Davis, R. C., op. cit., pp. 269-276 for a more detailed discussion of this concept.
method previously described. It also gives insights into an organization and specific jobs within the organization, and therefore makes a contribution to executive job evaluation.¹

Within one chain of command, i.e. at different service levels, the higher job encompasses both the lower job and the other positions within its responsibility. This is so because delegation of responsibility does not remove the responsibility from the delegator.² Therefore, scalar differentiation within chain of command is an indication of importance of the position.³

Also staff parallelism is a case where an understanding of service level is beneficial to an understanding of the organization and its components. In a decentralized insurance company with regional divisions, many positions reporting to the regional manager seem identical to the positions reporting to the President of the company, i.e. accountant, sales manager, claims manager, underwriting manager, personnel manager, etc. Though there are other differences, one of the main differences is

"Thus the function of business leadership becomes divided through a process of vertical division, that we call 'delegation'."

²Mooney and Reiley, op. cit., p. 37.
³Davis, R. C., op. cit., p. 795.
service level. Actually the main difference between the President's job and that of the regional manager is service level. As in the geometry of triangles, with similar triangles (functions), the higher the apex (position), the broader the base (scope of responsibility).

In a going organization, one of the chief aids to organization analysis is an organization manual. One of the main things an organization manual should include is functional descriptions of the top jobs or major divisions of the organization. It is also not unusual to find clarifying statements regarding the company's objectives in many organization manuals.

**Summary**

Organization analysis involves the study of the objectives and responsibilities of the organization, the functions which must be carried out to accomplish these objectives, supplementary functions for internal purposes of the organization, and the different pattern or structure of these functions. The creative process which justifies the existence of an insurance company is the sharing of economic risks. This is the primary objective of the organization. Members of the organization, of course, have their own personal objectives. Economy and effectiveness in operation are necessities in the
competitive American economy. The functions through which the creative process of an insurance company is performed, and also through which the personal objectives of organization members are met, are marketing, finance, underwriting and claims. Economy and effectiveness in the organization's operations are facilitated through such functions as personnel, accounting, actuarial, legal, etc. The former functions may be termed line, the latter staff. The organizational level at which a function is performed supplies insights also into position worthy.

To use an analogy from work simplification, after the whole process is understood, an individual operation may be studied. So after the whole organization is understood, an individual job may be analysed.
After organization analysis supplies an understanding of the organization, its objectives, its functions, and their arrangement, it is necessary to understand thoroughly each job before it is evaluated. In many cases, the individuals who devote their time to analyzing the executive position do not make the evaluation of the job. Or else, they are only a part of a larger committee which makes the evaluation. Therefore it is necessary not only to analyze each job, but also to have a thorough, clear, and useful description written for each executive position to make possible the evaluation.

Information to Obtain

Similarly to organization analysis, for an understanding of the executive job, it is first necessary to determine the objective or purpose of the position, and then the functions necessary to accomplish this purpose. All executive positions have a specific purpose; for that matter, all jobs in an organization have a purpose or else they should not be on the company's payroll. By the purpose of the position, however, is not meant merely the managing of the activities of the group for which the incumbent is responsible. This is not a purpose;
it is a function. Rather it is in effect the purpose of the whole group for which he is responsible which is sought. The reason an executive has people accountable to him is that he cannot accomplish the whole job himself, the job being the reason for which he and his organization are paid by the company. It is this "functional purpose" which explains why a particular executive job is on the payroll.

After this, it is necessary to find out what functions specifically the executive performs -- what does he do. It is true that he plans, organizes, and controls the activities within his group in order to accomplish its purpose economically and effectively. But the fact that this can be said about all executives makes it virtually useless when the object is to discover the relative worths of different executive jobs. It is therefore necessary to known in what way, to what extent, with what difficulty, and with how much help he does these things.

It is necessary to know what the limiting factors are which the executive must deal with -- are they simple or complex. How much staff help does the executive receive in the performance of his functions. How much authority does the executive have to carry through his
own ideas. On what problems and in what areas must he receive approval from his superior.

The specific information sought for executive job evaluation will of course depend on the method, approach or system that is to be finally used in evaluating the jobs. It is wasteful of effort, and distracting, to present superfluous information to the evaluators. Therefore, it is necessary to understand the evaluation in order to make a proper analysis of the job for this purpose. It is also a mistake to present information which does not differentiate the job from other executive jobs. An executive job analysis should determine how a particular executive job is different, not what generally is an executive job. This is, of course, true only for executive job evaluation. There are other uses to which executive job analysis and descriptions can be put than executive job evaluation.

All executive positions involve decision making. It is necessary to understand the nature of the decisions which must be made in these positions. The importance and difficulty of these decisions will yield insights into the worth of an executive job.

Other information in addition to the functions performed may be helpful in executive job evaluation.
This includes such information as the size of the job -- some quantitative picture is helpful. This may be expressed in number of employees, amount of money, sales volume, or in some other manner. This aids in determining the scope of the job. Along with the functions performed, it is well to know with whom these activities are undertaken. What contacts are made by this executive both inside and outside the organization -- in what way, for what purpose, and how often. What education and experience is necessary to undertake this job. Again, much of the specific information sought should largely depend on the way in which the jobs are to be evaluated.

In addition to the so-called managerial duties an executive performs, most executives, particularly those not at the top level, perform certain specialized, professional, or business functions. "Strictly speaking, the performance of nondelegated duties is not part of administration and the activities involved are of almost infinite variety, depending on the local situation and the particular interest and capacity of the executive concerned."¹ A sales manager may handle some special accounts, a claims manager may investigate important claims.

¹Newman, op. cit., p. 5.
and an underwriting manager may have to review unusual cases. These cases also must be determined by the job analysis.

These type functions are particularly important for the staff specialist. These specialised functions may be the main content of the job. Possibly only several or even no people report to the individual, and yet he is accepted as part of the executive organization. It is therefore necessary, for morale if for nothing else, to handle his person's job by the same system. The type of information to be used in evaluating these specialized jobs must be presented to the evaluators.

How often should an analysis be made of an executive position? The answer to this question is as often as the job is fundamentally changed. Possibly the most usual time for a new analysis is with the new incumbent. "The man makes the job." The same sentiment was expressed in many interviews in the insurance industry. (See the next chapter for a further development of this.)

It was cited by some as the reason for the lack of any formal executive job evaluation plan.

Regardless of how an organization is set up and a job described, an executive in particular will organize his own job. Unless the organization is to be completely static, this is as it should be, and many top managements in fact encourage a dynamic organization. This is not to say, however, that an attempt is made to portray how well the functions are being performed, but rather what functions are being performed by this particular executive.

This is not normally true at the operative level. New ideas should be encouraged, but the concept of the "one best way" is more applicable here, and therefore all individuals on the same job are presumed to be performing the same functions. To make the presumption, however, that two regional sales managers in the same company have the same job may be misleading. As to whether they actually do or do not have the same job will, of course, depend in large part on the philosophy of the organization.

Executive Job Descriptions

The results from the questionnaire indicate that a slightly larger proportion of companies write executive job descriptions than use a formal method of executive job evaluation. In answer to the question, "Are job descriptions usually written for executive jobs?" for administrative management positions, 40 companies
answered "No" and 12 companies answered "Yes." However, for operative management positions, only 23 companies answered "No," and 32 companies answered "Yes." (See the section on Executive Job Evaluation for relative information.) To the question, "Does the company have either an organization chart or manual with functional descriptions?" from the questionnaire, the answers received were: "Chart only" (23); "No chart or manual" (18); "Manual with functional descriptions and chart" (11); "Manual with functional descriptions only" (5). Not surprisingly, there was a higher incidence of descriptions, charts, and manuals in the larger companies than in the smaller.

An executive job description, the product of a job analysis, should be of maximum use to the job evaluators. This means it should include the characteristics of accuracy, clearness, completeness, and brevity. In one company observed, very lengthy (and repetitious) descriptions had been prepared for most executive jobs, some running over 30 pages. This made evaluation cumbersome and difficult. The description format was then changed and brevity was encouraged to the effect that most descriptions now run from 3 to 5 pages. The information presented in the job description, as previously mentioned,
must be patterned after the use to which it is to be put. This means not only job evaluation but also the method by which the job is to be evaluated. Information should be given on factors on which job evaluation rests. The job description should be as unambiguous as possible. To aid this, the use of action verbs to start off sentences in describing functions is helpful.\(^1\), \(^2\)

The description should not be repetitious, and should be brief enough that what is read at the beginning is still in the reader's mind at the end. "Jobs should be described as they are now being performed, not on the basis of what should be done, what used to be done, or what is expected to be done."\(^3\)

Of course, the descriptions should be uniform in their format. This is particularly true where executive job descriptions are compared for the purpose of evaluation. Several examples of Executive Job Descriptions may be seen in Case #1 and Case #8.

\(^{1}\) Evaluating Managerial & Supervisory Jobs in the Controller's Department, Controllership Foundation, Inc., p. 61.

\(^{2}\) Patton and Smith, op. cit., p. 79.

How to Secure Information

There are three basic ways of securing the information -- analysing the job -- for the job description. These include a questionnaire, a description written by the executive himself, and an interview or series of interviews. The questionnaire method, though applicable for operative job description, is not useful in executive job descriptions. The task simply does not lend itself to this method. Interviewers, however, commonly have some structure upon which to place information. This might be conceived of as an interview questionnaire.

To the question, "How was the information obtained for most executive job descriptions?" from the questionnaire, the answers received were: "Interview with incumbent" (26); "Information already possessed by writer" (18); "Interview with superior" (17); "Questionnaire to incumbent" (8); "Questionnaire to superior" (3). Not infrequently, more than one source of information was cited. The distribution of sources was similar for both administrative and operative management positions.

Some companies do have executives write their own job descriptions. This may conceivably save the expense of a job analyst. However, they are not experienced in
this type of work, they are not certain as to what is
and what is not pertinent, and they are not familiar with
the accepted format. Even when interviewed by a job
analyst, it was observed that most executives were
completely at a loss as to how to go about describing
their jobs. These last two difficulties can be overcome
somewhat by giving the executives rather complete instruc-
tions and examples. One of the disadvantages of an
example, however, is that it may in some cases be followed
rather slavishly. An executive job analyst may work
closely with the executive as the executive is writing
the description; however, this case is almost a series
of interviews and the latter method might as well be used.
Of course, the main advantage of having executives write
their own job descriptions is the educational value of
the project. Many employees undoubtedly acquire a new
understanding of the meaning and purpose of their jobs
because they are required to write about them objectively.¹

To the question, "Who actually writes or wrote most
executive job descriptions?", the answers received were:
"Company specialist" (18); "Executives themselves
/incumbent)" (12); "Superior of the position" (12);

¹Warren, B. B., "Evaluation of Managerial Positions,"
AMA Handbook of Wage and Salary Administration. New
York: 1950, p. 266.
"Consultant" (3). The distribution of answers given was similar for administrative and operative management position descriptions. To the question, "Who must usually approve the executive job descriptions after they are written?", the answers received were: "Superior of the position" (29); "Executives themselves (incumbent)" (16); "Company specialist" (13); "No one but the writer" (1). It can be seen that the superior of the position has much to do with the executive job description. As a job description is in a sense a phase of organizational definition, this would seem quite logical, organization being one of the executive's basic functions.

The most common method of writing executive job descriptions is to have a trained analyst do it who secures the information by interview (although this was a plurality rather than a majority). As the executive is aware of the reason for the interview, it takes on the nature of an unguided or depth interview. Certain specific questions may be asked, particularly if information does not seem to be forthcoming; but, in general, the executive being interviewed is encouraged to talk about his job in his own way. Care should be taken not to put words into the executive's mouth. It was observed
that two or three interviews were sufficient in most cases, including the interview after the draft was written.

The interviewer in addition to being capable in interviewing and job description writing must also have an understanding of management fundamentals. Conceivably this understanding could come from academic training, management experience or both. In either case, exposure does not guarantee understanding.

Other Uses than Evaluation

Executive job analysis and job description as a tool has uses other than executive job evaluation. It is well to point out, however, that different information may be sought and a different presentation might be more helpful for the specific use to which it is to be put.¹

Some companies use one description in several ways. Others have more than one type description for the different purposes (Standard Oil of California, for instance). Conceivably the different descriptions could be written by the same individual and from the same analysis.

¹Veysey, V. V., Describing the Supervisor's Job.
Industrial Relations Section, Cal. Pasadena, Calif., p. 3.
Some of these uses other than evaluation include:

1. Organization planning
2. Job specification
3. Training
4. Coordination

In planning ahead for the organization, executive job descriptions may be used to determine in what way different functions may be combined, rearranged, or eliminated. In effect they may be used in organization analysis. It is also possible to use them in determining what line of promotion would be most sensible, from what jobs a replacement might be chosen. In one instance observed, though the group responsible for evaluation and description had no organizational authority, they discovered that three different executives felt they were responsible for the same specific function (a relatively minor one in all three jobs). The evaluation group arranged a conference of the three executives in question and the group supervisor. The problem was resolved by the executives themselves, each taking the phase of the function most closely allied to the rest of his job. This was a case of Barnard's coordination without the explicit authority for such action. The problem arose, and the opportunity was presented for intelligent people to work out their own solution.
As a job specification, the particular description should indicate what characteristics an individual should have to fill a particular job. When it becomes necessary to staff executive positions the people responsible for recruiting, screening, and selecting the potential executives should have appropriate information at hand.

New executives or executives in a new job, may use job descriptions as part of their training. At least an indication of what the previous incumbent did on the job should be available from the job description. This points out what, in effect, the organization will originally expect from him. A reading of executive's jobs closely associated with the new one also supplies a training aid.

Executive job descriptions included in an organization manual should facilitate coordination. When an executive is in doubt as to what a particular job encompasses, or from whom he should get certain information or staff help, a perusal of the organization manual should help.

To the question on the questionnaire, "What uses are actually made of the executive job description?", the answers received were: "Job evaluation" (34); "Develop lines of promotion and transfer" (22); "Staffing (job specification)" (21); "Coordination (for use by other executives" (17); "Organization planning" (16); "Executive training and development" (14).
Summary

In order for an executive job to be evaluated, it must first be analysed, and the results of the analysis presented in useable form. The description should contain broadly the purpose of the position, the functions and decisions necessary, and the background required. Much other information will be helpful to the evaluating unit. The results of this particular research showed that less than half the companies had descriptions of administrative management positions, but more than half of the companies had descriptions of operative management positions. The descriptions were commonly written by staff specialists after interviewing the job incumbent and his superior. Where descriptions did exist, they were frequently used for purposes other than executive job evaluation including organization planning, job specification, training, and coordination.
EXECUTIVE JOB EVALUATION

Objectives

For every program or procedure undertaken by a company, the objectives to be accomplished thereby should be clearly understood. Organization Analysis, previously discussed, should reveal the basic objectives of the company -- why it has been formed and continued -- what does top management feel responsible for accomplishing. From these overall objectives should stem supplementary objectives, policies, the organization structure, and plans and programs. At the top level these supplementary objectives and policies are usually grouped into functional areas around the organization structure which is developed. In an insurance company these types of objectives and policies may be oriented about sales, finance, claims, underwriting, etc. In addition to these basic business functions about which supplementary objectives and policies are grouped, facilitating objectives and policies are developed (again in line with the overall company objectives) which pervade all the basic business functions, their organization structure, positions and people. These facilitating objectives and policies are sometimes, but not always, developed, administered, and/or controlled by specific groups in the organization such as accounting or personnel.
Into such a category fall the objectives and policies culminating in executive job evaluation and salary administration. Executive job evaluation and salary administration pervade all phases of the organization and usually are developed, administered, or controlled by a specific group within the organization.

The results from the questionnaire indicate that the company's objectives in determining executive salaries do not differ materially between administrative management and operative management. Of the 217 answers received, the objectives cited were: "Maintain executive morale" (58), "Secure the proper individual for the job" (42), "Draw a supply of superior leadership to the top" (36), "Control salary expenses" (32), "Supply executives an incentive" (32), and "Lend flexibility under Salary Stabilization Regulations" (17). There was no significant difference between large and small companies in the objectives cited.

The objectives most frequently cited in the questionnaire and also during interviews in one form or another and inferred from observation was that executive morale should be maintained (or improved). Many factors affect the morale of any employee including executives. It has been shown that pay is one of the most important of these morale factors. However, it is not just the salary which is received per se, but rather the "correctness" of
this salary. In other words, how does the salary compare with that paid for similar and for different jobs in the company; how does it stack up against salaries paid by other insurance companies (particularly of about the same size); how does it compare with salaries paid in the local community. "Inequalities in base salaries tend to offset the benefits of even a liberal plan of extra compensation. It cannot be too often repeated that, primarily, executives are interested in properly established base salaries."\(^1\), \(^2\)

This all means that the companies are trying to pay the salary which is considered fair for the job. This means both not too low and not too high, since a salary which is more than "fair" for one job would mean that the next job, although fairly evaluated by all other standards, would be underpaid when compared to the one overpaid job. This idea was expressed in the following ways in interviews with insurance executives: "To attain fairness in compensation at different levels"; "Have the program accepted by the executives so that they're satisfied"; "Executives must


\(^2\)Newman, op. cit., p. 360: "It is necessary that....differences in salaries...rest on some reasonable basis."
feel they're paid reasonably -- a problem of morale";
"Equity for morale purposes." As indicated, to get this this "Correct" picture for the purpose of maintaining executive morale, comparison is made against more than one criterion. It is therefore conceivable that a different result may obtain from each of these comparisons. Though these differences would usually be small, they would nevertheless exist, and would have to be resolved in some manner in order to accomplish this objective.

Salary paid to an executive has an important morale effect not associated with money as such at all. Status is very important to most people, and to an executive, one of the major determinants of status in an organization is the salary paid the individual. Not many companies tie in status and salary as did one company interviewed which listed its top 26 executives on the first page of the company's telephone book in the order of salary. Status and salary are closely tied however. Chester I. Barnard has pointed out the importance of having status correspond to leadership responsibility. The classification for determining executive salaries is also important to the status of the individual. Many companies treat administrative management differently from operative management in determining salaries. This line between the two groups, although
arbitrarily drawn at some point, is important to the status of the individuals above and below this line. A salary level is frequently the dividing line. If the job evaluators determine a job should be paid more than this dividing line it is classed with the administrative management or top executive jobs. Conversely, the opposite is true.

That executive morale is important to the performance of the whole organization need hardly be stressed. Not only will the quality of their leadership vary with their morale, but the morale, and, therefore, the performance of the operatives in the organization will also vary with the tone of the executive morale. The interesting aspect of this morale objective is that "fairness" is not enough -- the method of determining executive salaries must appear to be fair to the executives. As the important thing in question is the reaction of the executives to their salary and its determination, these executives must first understand how salaries are determined, and second be convinced that they are fairly treated by this method. Many companies fall short of the first requirement, in that sufficient effort is not made to have the executive group understand the method by which their salaries are determined. This is one of the big disadvantages of a rather informal system of executive salary determination. Even though it may be eminently fair and thorough, it is difficult to explain and
A big advantage of a formal system of executive salary determination is its formality. Steps are laid out on paper and justified. Though it might be possible to overcome this disadvantage in an informal plan, formality, or the known and understood, seems to breed confidence; informality, or the unknown, seems to breed suspicion. This is not to say that formality is the same as fairness. It is to say that formality, and the time put into developing a formal program for determining executive salaries suggests to the executives the intention of fairness.

Fairness, as here considered, is essentially a relative concept. The salary paid a position with its specific requirements is fair relative to the salary paid the jobs with which it is compared in the same company, in the community, and in the industry. In a free economy, the assumption is that labor, which is a factor of production, has a market in which its price — wages and salaries — is determined. In effect, this would indicate that similar jobs would, under perfect competition, receive the same price. However, there are many imperfections in the labor market. Lack of mobility is probably the biggest restriction. Executives, after they have spent a substantial period of time with one company, are usually loath to leave for another company. One of their greatest assets is familiarity with the intricacies of a specific company,
its personnel, their peculiar traits, etc. A new position will always involve some gamble. In addition to lack of mobility, imperfect information is more true at the executive level. This takes into account not only difficulties in determining the salaries, by the individual executive of comparable jobs, but the nature of those jobs. Most executives realize that the title does not make the job -- jobs with the same title differ considerably between companies. This is much more the case at the executive level than at the operative level. In addition to these restrictions on competition, there are others. In effect then, there is a good deal of discretion for the individual company in determining executive salaries. What most of them are attempting to do in striving for this objective of maintaining executive morale in their method of determining executive salaries is to approximate the market. In other words, they are attempting to supplement the imperfect forces of the market by administration.

"When someone asks how trustworthy are the results of relative (formal) evaluation of managerial positions, a reasoned answer can be given to the effect that the mere setting of salaries itself constitutes an evaluation, and that it is better to evaluate systematically than haphazardly. Similarly, the answer to a modest evaluator who is afraid he is tinkering with mysteries far too complex
to be solved is to point out that he never flinches at jumping to the end result by setting a salary out of hand." "It is possible to test the accuracy of an evaluation board's work by noting how closely the judgments of the individual evaluators group themselves about the value that is ultimately the board's selection."

Experience has shown work "...well above the level of mere acceptability."\(^1, 2, 3\)

The objectives cited as "Secure the proper individual for the job," "Draw a supply of superior leadership to the top," "Supply executives an incentive" are all somewhat similar in that they pertain to the problem of properly staffing executive jobs. One company President wants to "make certain those people who are better than their jobs are brought to light." Companies feel that executive job evaluation and salary determination properly done

\(\text{Warren, B. F., op. cit., p. 269}\)

\(\text{Stigers, Reed, op. cit., pp. 17 & 18, "Any job or the worth of any individual on a job can be evaluated. The fact that someone must decide the value of each individual before he can be paid is proof of this statement. Any evaluation of rates that can be made by an individual estimator without a system can be better made by a system of calculation, for rate calculation is nothing more than systematized reasoning."}\)

\(\text{Controllership Foundation, op. cit., p. 5, "Every job everywhere has been evaluated. Some of the ways in which this has been done are good -- some are poor."}\)
can aid in the difficult and important problem of getting the right man into the job. It is necessary to supply executives the proper incentive to encourage the men who are capable of handling the higher executive jobs to strive to attain them. Underlying these stated objectives seems to be the implicit assumption that "you get what you pay for," and therefore especially not to err on the low side, the company should pay its executive positions properly. Otherwise the executives obtained will not be of the caliber necessary to lead the organization to accomplish its major objectives. Poor leadership will result in poor followership.

To "control salary expenses" is an objective which is mentioned frequently for an executive job evaluation and salary administration program. This is to some extent the other side of the coin. Not only does a company want to pay each executive position enough, but also not to pay too much; one executive phrased it as "not to pay out too much of the policyholder's money." An insurance company, as most types of companies in a competitive economy, must keep its costs down in order to price its service or product at a competitive price. If costs are not controlled in this manner the company will be driven out of business by its more "efficient" competitors. As salary expense, including executive salary expense must be
grouped with all other costs in this sense, it is necessary that they be reasonably controlled.¹

Although it was not one of the more frequently cited objectives, to "lend flexibility under Salary Stabilization Regulations" was cited enough to indicate that some companies used and also introduced their plans of determining executive compensation to make this possible. These regulations introduced by the government, both during World War II and the Korean emergency to control inflation, restricted companies in this activity, and a formal program, possibly only a stated salary range, made it possible for companies to make the salary adjustments they desired.

**Major Difficulties**

In the performance of most functions, certain limiting factors are present which prevent the complete accomplishment of the objectives set forth (the justification of the function). It is the job of the administrator (or administrators) responsible for the performance of this function and the accomplishment of these objectives to eliminate or overcome these limiting factors as best he can.

The results from the questionnaire indicate that the difficulties encountered in executive job evaluation do

¹Hart, A. G., op. cit., p. 234
not differ materially between administrative management positions and operative management positions. Between companies of different size, "Growth of company" seemed more important for the larger companies than the smaller. Of the 190 answers received, the difficulties cited were: "Scope of position varies with incumbent" (45), "Man looked at rather than job" (37), "Growth of company" (25), "Difficult to plan grades representing increments of equal job worth" (16), "Confusion as to what factors represent worth of job" (14), "Distortion of executive labor market, either local or national" (12), "Jobs tend to be evaluated on the basis of present pay" (10), "Influence of outside offers to incumbents" (7), "Change in emphasis in company management" (7), "Lack of job information" (6), "Infrequency of evaluation leads to lack of skill in it" (3), "Management too busy to evaluate positions" (2), "Evaluation specialist hasn't enough appreciation of management jobs" (2).

The questionnaire results, the personal interviews, and the intensive study, all brought out the same major difficulty in executive job evaluation and salary administration, namely that "the man makes the job" at the executive level.

One Vice President pointed out that "the scope of the job varies considerably with the incumbent." Another
company's Vice President and Secretary stated that "on
the executive level, it's the man and not the job." The
President of one of the largest casualty companies said,
"A job at the top level depends on the needs of the
organization, and on the individual's capacities." Another
President stated that "sometimes have to fit the job to
the man." The scope of the executive position depends on
the individual who is placed in it. It can be seen that
there is a direct tie between this difficulty and the fact
that the man tends to be looked at rather than the job.
Along this line Barnard states, "Men are neither good nor
bad in this or that position. This is why they not infre­
quently 'change the organization,' the arrangement of
positions, if men suitable to fill them are not available.
In fact 'executive organization' in practice cannot be
divorced from 'executive personnel'; and 'executive
personnel' is without important meaning except in con­
junction with a specific arrangement of positions. Each
phase in turn is the strategic factor of the executive
problem -- first one, then the other phase must be adjusted."1

1 Barnard, C. I., op. cit., p. 218
A well accepted principle of job evaluation (as developed at the operative level) is that the position should be evaluated independently of its occupant. However, this seems to be difficult at the executive level. This difficulty is cited equally frequently for the operative management positions as it is for administrative management positions.

"Tight" organization theory indicates that the positions in an organization must be developed from the objectives set forth, the functions necessary to accomplish these objectives, and the logical grouping of these functions. From this logical grouping of functions executive positions are developed. It then becomes necessary to find the proper individuals for these positions -- the problem of staffing. This procedure is largely followed in practice at the operative level. A logical grouping of operative functions is made to form an operative job -- a file clerk responsible for procuring and refiling auto insurance policy applications from New York state from sets of four drawer files performs this job as prescribed. The opportunity is not really present to differ from the established pattern. However, one of the main attributes --

\[\text{1Benge, Burk, & Hay, op. cit., p. 9, "The job must be priced and not the man. Job evaluation is impersonal and deals with the relative monetary value of the work done in each job."} \]
expected of an executive is initiative (see the discussion of merit rating under Executive Salary Administration). It is this initiative which causes the executive incumbent to vary his position. He tries new ideas, spends his time on different projects, gives varying degrees of supervision to his subordinates, and in turn probably receives varying degrees of supervision from his superior. Now in this somewhat flexible arrangement, people will differ in their behavior pattern. Different people have different endowments and different interests and different backgrounds and different formal educations -- the list is endless. It should not be hard to comprehend then that the man makes the job. Nor is the problem one of resolving what is the minimum level necessary. The scope of the job need not be entirely stable. This then is a difficulty which must be resolved in executive job evaluation.  

Spriegel and Lanham mention in their survey of operative job evaluation in Insurance Companies "Difficulties encountered in evaluating these higher-level jobs may be a partial explanation of their omission. Personal

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1Warren, B. B., op. cit., p. 269, "...at these salary levels the incumbent is continuously making and remaking his position. Therefore, it is desirable to require a separate position evaluation for each incumbent, and to provide for re-evaluations whenever incumbents or duties change."

2Fetter & Johnson, op. cit., p. 65, "High level executive positions tend to be man-oriented rather than job-oriented."
ambition, ability, and personality may have determined the scope of a particular executive's position to such an extent that separating actual job requirements from the incumbent's aptitude may seem an insurmountable task."

Their treatment of executive positions includes only, "Apparently insurance companies have encountered some of the foregoing problems because they, too, have typically excluded those positions at the higher levels of management from their job evaluation program. The majority represented in this study, 55%, have rated jobs up to, but not through, the department head level. Twenty-two per cent included department heads, but only 7% rated through the top executive level."¹

Company growth seems to be another major problem in executive job evaluation. Tied in with this difficulty is a change in emphasis of company management. As a company grows its organization structure and executive positions must change. The number of operative jobs are increased to handle the increased business; new executive positions are needed to coordinate the new operative jobs; it becomes economically feasible to specialize certain functions.

¹Spriegel and Lanham, Job Evaluation in Insurance Companies, University of Texas Bureau of Business Research, 1950, p. 27.
which previously had been grouped with other functions. These changes come more in the form of convulsions rather than continuous "painless" growth. Possibly one of the best examples of these convulsions is found in instances when it becomes very difficult to coordinate the different business functions in a large centralized organization, and the decision is made to decentralize the organization. Branch offices are opened, general executives are needed for each branch, and the top line executives become in effect, top staff executives. The Claims Vice President is no longer directly responsible for the handling of claims in the organization, as this responsibility is now vested in an operations or field vice president and his branch managers. This change may be further complicated by a change from operative management to administrative management status. The Claims Vice President and his own organization which is now comparatively minute give assistance and advice in claims work. In effect, a convulsion has taken place. It is not surprising that this difficulty is cited more frequently by larger companies than by smaller ones. A 20% increase in business could probably be handled by the same basic executive positions, even the supervisory positions, in a company with 100 employees, but not so in a company with 5000 employees.
The nub of this difficulty of growth is probably that the jobs must be continuously re-evaluated. As the jobs change new descriptions must be written, or if the evaluation is not done from job descriptions, the evaluator must become reacquainted with all the positions. Unless provision is made for this periodic (if not continuous) re-evaluation of executive jobs, the basis on which their salary is determined will be always out of date. One Company President feels that "rapid growth of company makes it difficult to fit executive jobs into a pattern." "Jobs change every year -- much of a formal system works better if you're seasoned." "As the company grows, a job sometimes gets beyond a man's grasp."

In a company experiencing substantial growth and reorganization the evaluation group had great difficulty in keeping up with its administrative job. When the program was originally installed it was felt that two people would be sufficient to handle the job of description and evaluation. As executive jobs changed, they were to be described again and re-evaluated. Also a yearly check was to be made of jobs. The number of jobs covered was about 500. At last count, there were six people in the evaluation group.

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1See Davis, op. cit., pp. 788-89, for a discussion of change and leadership requirements.
group, and they were still experiencing difficulty in keeping up with their jobs.

Difficulty in planning grades representing increments of equal job worth would be especially true where the evaluation is done on the basis of job classification, i.e., when definitions are written for the different grades or classifications. To plan these descriptions so that they represent equal differences of job worth would indeed be difficult. The use of key jobs to illustrate these grades (on a whole job basis, i.e., rather than by factors or characteristics) is of some help in the evaluation, but it is also difficult to pick key jobs which between them have equal increments of job worth.

It is not surprising that "Confusion as to what factors represent worth of jobs" is frequently cited when it is shown that companies which use factors or characteristics in the evaluation of their executive jobs select a wide range of factors, the number of which vary from just a few to well over a dozen. This is especially difficult when it is felt that these factors should cover all aspects of the job's worth, and yet should not be overlapping, and that in a complex organism or function of any type there is not necessarily a simple relationship between the parts and the whole. As factors are used for
accuracy and/or making the job easier, it is obviously necessary that these purposes are accomplished through their use.

"Distortion of executive labor market, either local or national" points out again the multiple comparison nature of executive job evaluation and salary administration. In other words, after a rational system has been followed in determining the relative worth of executive jobs within the organization, it is discovered that this same alignment of the worth of executive jobs is not found either within the community or the industry. If after review the internal alignment is justified according to the system of evaluation used, which is presumably accepted by the company's executives, then the conclusion is drawn that the external market is distorted. The problem then remains of rationalizing these different pictures for purposes of fairness and morale. Salaries, it is felt, should correspond favorably to both an internal and external alignment. At the executive level industry comparisons are more common than community comparisons.

That jobs tend to be evaluated on the basis of current pay at times is understandable. Particularly where an informal system of evaluation is used, all factors which give a good picture of the worth of a job are usually
considered. It is probably very difficult for an evaluator to conceive that a position and its incumbent have been incorrectly assessed for a long period of time, particularly where no manifestations of trouble have developed. Therefore past and current salary may have a very restrictive influence on executive job evaluation.

One Vice President of Personnel summarized their difficulties by stating that they "have been operating in a vacuum and salaries above $7,100 are purely subjective and very unsatisfactory."

The difficulties cited above which were the main ones revealed through both the questionnaire and the personal interviews are the limiting factors in the problem of executive job evaluation. It then follows that the program developed must adequately deal with these difficulties.

Policies of Executive Job Evaluation

In order to accomplish objectives of any kind, business should establish policies which may aid in the accomplishment of these objectives. As Paul and Faith Pigors indicate in their article on policy, policies are guides established to aid management in its function of decision making.\(^1\) Policies lay down guides to be used in deciding

what action to take concerning a specific problem within the area of the policy in question. They are not rules, in the sense that rules allow no decision to be made (unless it is to break the rule) -- the decision has already been made, i.e., "No smoking." On the other hand policies allow for decisions which the executive must make himself; they are guides set forth by superiors so that the decision will be in line with their purpose and thinking.

Almost any executive if asked whether his company had policies within a certain area would reply in the affirmative. However, this answer would frequently refer to implicit rather than explicit policies, and also policies about which there might be a good deal of misunderstanding. If a company has been in business for a period of time, probably many actions have been taken in the area in question. From all of these actions and decisions policies can usually be hypothesized. However, these are not policies in the sense of scientific management. Policies are thought out before all of these actions take place. Policies are no good unless they are understood and accepted by those executives who are to use them. Ralph Davis points this out among other criteria when he points out that policies should be: (1) Based on a careful
analysis of the objectives and ideals of the company,
(2) Definite, (3) Reasonably stable, (4) Flexible, (5)
Complementary to related policies, (6) Sufficiently com-
prehensive, (7) Honest, and (8) Known and understood. 1, 2
Therefore one of the best criteria to judge whether
policies really exist in the latter sense is whether or
not they are written down for all to see.

In the questionnaire the question was asked "Have
written policies been developed in connection with execu-
tive job evaluation and/or salary administration?" Of
the 48 answers pertaining to Administrative Management
positions, 40 were "No," and 8 were "Yes." However, of
the 56 answers pertaining to Operative Management posi-
tions, 25 were "No" while 31 were "Yes." In other words
these insurance companies felt it decidedly more important
or more feasible to write out policies for determining
salaries for supervisory jobs rather than top executive
jobs. It would seem that if the major objective of the
method for determining executives' salaries is to main-
tain executive morale, one of the most important actions
which could be taken would be the formulation and

1Davis, R. C., "Industrial Organization and Management,"
New York: Harper & Brothers, Publishers, 1940, p. 50
2Davis, R. C., 1951, op. cit., p. 179.
especially the communication of policies pertaining to executive job evaluation and salary administration. As previously mentioned, the company must not only be fair in its method of determining executive salaries, it must appear to be fair to the executives. Written policies should certainly be one of the first steps in attempting to accomplish this purpose. It is interesting but not surprising to note that of the companies with over 5000 employees answering this question, 3 out of 6 had written policies for their administrative management positions, and 9 out of 9 had written policies for their operative management positions.

In those cases where written policies had been developed over a third of them had been developed by a committee, over a third by a company specialist, and the remaining were equally divided between presidents and consultants. The smaller companies (under 500 employees) relied more on the president for policy formation than did the larger companies.

General Methods of Executive Job Evaluation

The methods of executive job evaluation used by the insurance companies surveyed covered a wide spectrum. Of the 60 companies completing questionnaires, 52 of them
used no formal system for evaluating administrative management positions, with only 8 using some formal system for this evaluating. However in only 28 cases was no formal system used in evaluating operative management positions, while in 32 cases some formal system was used. In other words, though there seems to be no great difference in either the objectives cited or the difficulties encountered in the evaluation of executive jobs at the administrative management level and operative management level, there is a substantial difference in the formality or degree of system with which the evaluation is done. The explanation for this appears to be that the companies' top executives are of the opinion that at the level of administrative management "each executive should be treated as an individual, not in a group pattern" and these jobs "should be handled less formally." The connotation seems to be that a formal system is a penalty, and that top executives should not be saddled with this restriction. They are above this type of thing in the same sense that they don't punch time clocks. Though somewhat the same attitude was present for operative management positions it was not as prevalent. The fact that there are substantially fewer administrative management positions than operative management positions in any
company certainly contributes to the relative difference in their evaluation! The difference in numbers is of course due to the triangular nature of organization structures. The number of individuals at successively lower organizational levels increases in some roughly geometric progression.

It is interesting to note that the highest proportion of companies reporting some formal system for evaluating administrative management positions was the grouping from 100 to 500 employees -- a fairly small company. Five companies out of 20 reported affirmatively on this question, or a ratio of 1 to 4, as compared to an overall ratio of 1 to 7 1/3. On the other hand, the largest companies reported the highest incidence of formal supervisory evaluation systems with 10 out of 10 reporting in the affirmative. There was a direct relationship between incidence of formal systems for supervisory jobs and the size groupings of the companies.

Formal job evaluation systems may be divided into four general categories (see the Chapter on Job Evaluation for a more complete discussion of this):

1) **Ranking**-jobs compared to each other in their entirety as whole jobs.

2) **Classification**-jobs compared to a defined job classification or key jobs in their entirety as whole jobs.
3) **Point system**—jobs broken down into characteristics or work factors and compared to degrees of defined factors.

4) **Factor comparison**—jobs broken down into characteristics and compared to those characteristics in other key jobs, using "money points."

Of the companies reporting a formal evaluation system used for Administrative Management Positions (and including several using a different system for a Middle Management group), 6 used a ranking system, 2 used a classification system, 3 used a point system, and none used a factor comparison system. Of the companies reporting a formal evaluation system used for Operative Management Positions 3 used a ranking system, 6 used a classification system, 21 used a point system, and 2 used a factor comparison system. No system was reported other than these four categories.

Of the few companies which used a formal system for evaluating top jobs, the simple ranking system seemed most popular. Actually this is the least formal of the systems. However, classification and the point system were also used. The point system used was by far the most popular of the systems used for evaluating the Operative Management positions. One of the reasons for this is that many companies have point systems for evaluating their clerical positions, and use the same systems for evaluating supervisory positions.
An interesting example (See Case #1) of a company reporting the use of a point system for both the supervisory and top executive jobs is as follows. The evaluation is done by one man with a system of 10 factors each with 5 steps. As the system was still being shaken down, it was felt that it would be a poor idea to change the point system, the number of factors or the salary structure. Therefore evaluation still is done within the framework of the point system originally established. It was found difficult if not impossible to assign a particular executive job a definite degree of a factor from the abstract definition given of the factor degrees. The modification made, then, was to use other "key" executive jobs as guides in evaluation. These key jobs had been evaluated and the evaluation accepted by the organization. The comparison made was a two-fold one. In the first step the comparison is similar to the ranking method of job evaluation. The job is compared as a whole job to other "key" jobs (already in a grade) and a tentative grade is established for the job from this overall comparison. The second step in the comparison with the key jobs is by factor. These key jobs have also been evaluated for each of the ten factors assigned to particular degrees. As the evaluator is familiar with the key jobs and their
descriptions he can determine which key job the job in
question is most similar to for the factor under considera-
tion. This way a point value for each factor is deter-
m-ined; the total point value is computed; and the grade
for the job is revealed. This grade is then checked
against the grade originally determined with the ranking
method. In those cases where the grades are not the same
by the two methods, the procedure is repeated (possibly
after a time interval) until the two methods do yield the
same grade. In this manner a method for executive job
evaluation conceived as a point system has actually been
changed into a combination ranking and factor comparison
method operationally.

It is interesting that this informal approach has
developed along the lines recommended by the Controller-
ship Foundation, "Instead of using definitions, in most
plans where meaningful definitions cannot be formulated,
a list of typical jobs in each grade is used as the only
guide...."1

Case #2 uses successfully this type of system where
factor degrees are illustrated by key jobs rather than
abstract descriptions. This is a system similar to factor

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1Controllership Foundation, op. cit.
comparison, however points are used rather than money. In describing the system used by General Foods, Mr. B. B. Warren points out, "When a company has reason to choose the type of factor which is inclusive in its scope, rather than exclusive, the points along the scale under each factor cannot readily be marked or defined by legends prepared in advance. Therefore, some other means of identifying the points along the scales must be found. As we studied the influence that the complexity of managerial positions has on the selection of factors and the evaluation method in general, it becomes clear that the principles underlying the method sometimes referred to as 'factor comparison' would best meet the special problems which abound in the evaluation of complicated high-level positions."¹

Of those systems which broke down the executive job into factors or characteristics to be evaluated the following factors were reported:

¹Warren, D. B., *op. cit.*, pp. 263 & 264
The number of factors for an evaluation system ranged from 3 to 17. Some of the factors listed separately above are very similar to others. In only one of the companies interviewed was there any secrecy connected
with the factors used in executive job evaluation. This was explained by the Vice President of Personnel the following way. "Members of the organization would consider themselves job evaluation experts, and then disagree" (with the evaluation made, causing a morale problem). The general impression given in most interviews was, however, that there was almost a complete lack of publicity given the factors or any other parts of the program to the companies’ own executives. There were several notable exceptions to this impression. Cases #1 and #2 are examples of the exceptions.

One of the best known consulting firms in the field of job evaluation (executives included), Edward N. Hay & Associates, Inc., feels that three factors are enough for evaluating executive jobs, i.e., Knowledge, Mental Application, and Accountability. The Company described in Case #2 uses the 3 factors: skill, mental application, and accountability in evaluating its supervisory jobs, and these factors are very similar to those cited above. However, it is felt here that all of these factors mentioned above can be grouped into two main categories which might be used for executive job evaluation. These two main factors are "Importance" and "Difficulty." In effect these are the two factors about which the worth of a job is built.
Importance includes such subfactors as responsibility, authority, accountability, errors, monetary responsibility. Difficulty includes subfactors such as education, experience, working conditions, mental demand, knowledge, application, etc. Other subfactors which are mentioned in effect include aspects of both importance and difficulty. For instance, decisions vary both as to their importance and their difficulty, and affect the worth of a position for only these two reasons.

Studies have been made to test the difference in evaluation made with fewer factors and it has been shown that few factors will do just as good a job of evaluation (and be substantially easier to handle).¹

Lawshe comes to the same conclusion in four different studies (covering more than this number of plans) that, "The abbreviated scale (3 factors) would yield results practically identical to those obtained with the original scale and would greatly reduce the time required as well as the complexity of the rating process." He consistently found that over 95% of point variability is accounted for by

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three factors, and with the relatively wide range of point spread for a salary grade, this is insignificant.

In terms used by the economist, it is the importance of the job which affects the demand for the incumbent of a managerial position, and it is the difficulty of the job which affects the supply of people available to handle the job: the more important the job, the more it becomes economically feasible for the company to pay for the job; the more difficult the job the fewer the people who are willing and able to do the job. It is those two factors together -- importance and difficulty -- which really determine the market value of a position and its incumbent. As a formal system of executive job evaluation is attempting to compensate for an imperfect market mechanism through administration, it would seem wise to use those factors which in an economic sense would determine the price set on the job if the market were more perfect.

Though General Foods uses the three factors (1) Knowledge, (2) Decisions, and (3) Responsibility, it is interesting that Warren in his introduction to the question of factors states, "Factors are, of course, merely

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elements or groups of elements, in the positions which contribute to their difficulty and importance." (Underlining supplied by this writer whose opinion it is that Mr. Warren could have stopped here). "...Complex managerial positions include a great number of elements which contribute to their difficulty and importance, (underlining again supplied) especially when the positions are diverse in character. Consequently, if very many specific factors are used, there must be a great number of them; otherwise, elements which contribute value to some jobs must be left out." "...It follows, then, that another type of factor must be employed, one which is much broader in its concept. When factors of sufficient scope are used, they may be relatively few in number."

The formal job evaluation systems used by the companies reporting them are mostly of recent origin. Of the 37 plans for which dates of installation were given, 2 were established in 1931 or before, none from 1932.

1Warren, op. cit., p. 263

2Piper, Burk, Roe, & Briggs, op. cit., p. 7, "...total factors should cover all elements which make one job more difficult and important than another." (underlining again supplied.)
through 1936, 2 were established from 1937 through 1941, 5 were established from 1942 through 1946, and 28 or over three-quarters of the plans were established from 1947 to the present. These figures, plus the interest shown by executives of insurance companies interviewed, and future plans point to a more widespread use of formal plans for executive job evaluation in the insurance industry in the future. This is especially true for Administrative Management positions which have lagged the lower levels.

For the 33 plans for which the developers were given, 13 were developed by company employees, alone; 3 were developed by an outside consultant, alone; and 17 were developed by company employees and consultant together. In other words in 20 out of the 33 cases, a consultant was involved. Without benefit of specific knowledge to the point it is nevertheless felt that very few company problems involve such a high incidence of consulting help. Where a consultant was brought in, in 85% of the cases, he developed the system jointly with employees of the company rather than independently of them. As the main reason given for this whole procedure is one of morale maintenance, it would seem that as much participation by as many people as is possible in the development of the program would be
wise. This is suggested by the principle of participation.¹ If the development of something has a wide base of participation within the company, the chances are that both the understanding and the support given it will also enjoy a wide base. If the plan is to be developed solely within the company, it would seem best to at least have a guiding committee representing all phases of the business in on the development, even if the brunt of the work might fall on a specialized group, such as part of the personnel department. In answering a question concerning program development Mr. S. L. H. Burk stated, "It is a matter of pooling the judgment of the most practical, interested and qualified group of individuals within the company."²

In one company observed, the executive job evaluation and salary administration program was developed by a consultant in conjunction with several of the company's vice presidents. However, the man that was assigned to the position of administering the program, once it was developed, had taken no part in its development. From observation, this appeared to have been a major mistake. The job of administration included, among everything else,
the personal function of evaluation. Yet this man had
not helped shape the program, and therefore did not fully
understand all of the reasons behind many of the decisions
made with regard to policy and procedure. It would have
been much better to have selected this man first and allowed
him to have participated in the development of the program,
for reasons to the observer which appear obvious.

If no formal system of executive job evaluation is
used, the companies indicated executive salaries are
determined on the following bases (more than one answer
was given in some cases): "A general evaluation of the
man's worth (including education, experience, initiative,
character, etc.)" (66), "A general appraisal of the re­
quirements of the position" (47), "What it takes to get
or keep the man chosen" (16). In other words, emphasis is
placed more on the incumbent rather than his position. A
difference existed as to whether companies even considered
the man and his job independently. Of the 50 companies
answering this question 36 did consider them separately for
supervisory positions, while 14 did not; however, on the
other hand, only 22 considered them separately for top
management positions, while 28 did not. This again points
out the fact that less formality is evident in evaluating
the higher executive jobs than the lower ones. Relatively
fewer companies in the size grouping from 1001 to 5000 employees considered the man and the job separately than in the other size groupings.

As to who actually does the executive job evaluation, in most companies the President or a Committee evaluates the Administrative Management positions, while a Committee evaluates the Operative Management positions. Of the 51 companies answering the question, "Who in your company usually evaluates (not approves) executive jobs?" for Administrative Management, it was the President in 24 cases, a Committee in 19 cases, the Board of Directors in 4 cases, a company specialist in 2 cases, the superior of the position in one case, and a consultant in one case. Of the 57 companies answering the above question for Operative Management positions, it was a Committee in 32 cases, the President in 10 cases, a company specialist in 7 cases, the superior of the position in 5 cases, and the Board of Directors in 3 cases. By far the most common evaluator under formal plans is a committee. Any type of executive job evaluation, although it may be systematic, is essentially subjective. Because of this it is felt a committee can best arrive at a fairer appraisal of the worth of the position. The process is both fact finding, and fact evaluating. The decisions to be made are not action decisions
but evaluation decisions. Again back to the main objective of executive job evaluation -- morale -- a group judgment would seem to be fairer to most people, where, in fact a subjective judgment is required, than would that of one man. In one company which had a formal plan with one man doing the evaluation, this man more than anyone else realized the need for a committee to do the evaluation.¹, ²

¹Mr. B. B. Warren, op. cit., p. 267, in describing General Foods Corporation's Managerial Job Evaluation Plan indicates, "It was easy to choose between the use of an evaluation 'expert' and the services of an evaluation committee or board. Without any question, the activities of even the most expert 'expert' would cause apprehension among managerial employees. We decided on a ten-man board, three members of which were officials whose duties gave them wide knowledge of position content, and the remaining seven, principal vice presidents of the corporation in whose organizations were 95% of the positions to be evaluated...These ten men devoted every Friday morning over four months to evaluation work. In addition, they were expected to do at least an equal amount of homework in preparation for meetings. The managerial employees respected not only the authority of the board members, but also, and more significantly, the inherent responsibility these men had for the total success for their organizations. You don't worry too much about a man's being given definite responsibility for measuring the value of your position if he already has general management responsibility."

²Benge, Burk, & Hay, op. cit., p. 9.
Evaluation committees, if properly chosen, should be representative and respected. Not only will a respected committee's results be expected to be fair, but if the members represent most phases of the business, the advantages of the principle of participation will accrue even though the process is a vicarious one.

In almost all instances, especially for the top level of executives, the board of directors had to approve of salaries paid. Most states have laws to the effect that insurance company executives' salaries must be approved by the board of directors if over a certain sum. In Massachusetts this figure used to be $5,000 and is now $10,000. As one personnel executive termed it, however, "It's a rubber stamp." In other words the board seldom determines the salaries paid executives (with the exception of that of the President). This is in line with Gordon's thinking, "In so far as business leadership means decision-making, then, it encompasses both initiation and approval. For us the point to be stressed is not whether initiation is or is not to be included. The important point is that we do not include the mere power to approve as part of the active leadership function. If the power to approve is not actively exercised, we do not consider that the person

\[1\text{Davis, op. cit., p. 481.}\]
possessing that power participates in the leadership function. If the board of directors must approve dividend decisions but always and automatically follows the president's recommendations, we consider that the president, not the board, has exercised the final approval function. Possession of power alone does not constitute business leadership.¹

Summary

The results of this particular research in the insurance industry revealed that the objectives held for executive job evaluation are the maintenance or improvement of morale level, an aid to staffing with encouragement for the better men to rise to the top, and salary expense control. It is interesting that morale was cited as the prime objective, and therefore it is important for a company to appear to its executives to be fair in this matter. However, with but few exceptions almost no effort was made to acquaint the executives with the methods used in evaluating their jobs and determining their salaries. One of the big advantages of a formal system of executive job evaluation is its representation of effort and system

¹Gordon, op. cit., p. 50
in the attempt to be fair. Yet this advantage is not capitalized upon. In line with this, only half the companies contacted had written policies pertaining to executive job evaluation and salary administration at the operative management level and only about an eighth had written policies for the administrative management group.

The major difficulties faced in executive job evaluation seem to be associated with growth and change. This is primarily concerned with the individual executive and his position, but also with the company. At the executive level, particularly, initiative is encouraged, and men's abilities and backgrounds differ considerably. Because of this, at the executive level the nature of the actual position is to some extent dependent on the the executive who occupies it.

About one-eighth of the companies contacted handle job evaluation for administrative management positions on a formal basis. Over one half of the companies use formal systems for operative management positions. The simpler systems are prevalent for the top executives, while the point system is the most common for the operative management jobs. Although key jobs are only part of the factor comparison method of evaluation (by definition) they were commonly used in many of the other plans. This is due
undoubtedly to the difficulty of using only abstract definitions of factor levels or classification groupings. Of those systems using factors for purposes of evaluation it seems that all factors could fit within the conceptual framework of "importance" and "difficulty." These two seem germane to the problem because of their consistency with the economic law of supply and demand as a price determinator. And isn't it the "imperfections" of the real world that make it necessary for administrative decision to supplement the market mechanism?

It is interesting that about two-thirds of the plans in use were installed, at least in part, by outside consultants. The actual evaluation is done largely by committee action, though the presidents of some companies do it, particularly for administrative management.
If no formal method of executive job evaluation is used, the executive's salary is determined directly. However, where a formal system of executive job evaluation is in use, the monetary evaluation of the job and the determination of the incumbent's salary are separate steps. Those companies which have formal methods of evaluating executive jobs, especially the point system, which is by far the most common, must make some correlation between their point evaluation and money. This is done through a salary survey. Before going outside the company, a survey may first discover what is the actual salary trend line within the company. To do this a graph is laid out usually with money along the ordinate and point value along the abscissa. As executive job evaluation systems are established in a going company, each job, or at least its incumbent already has an assigned salary. These salaries are plotted against the point values giving a scatter diagram. From this scatter diagram can be drawn the company's own salary trend line. This line may be drawn mathematically by some method such as "the least squares," or it may be drawn by inspection, that is, by merely drawing what seems to be the line of best fit. In the same manner salary trend lines for both the community
and the industry can be drawn. However, instead of plotting the company's own salaries against the point values assigned the jobs, the average salaries in the industry (or community) are plotted against the point values assigned the jobs. Most of the points on a scatter diagram do not actually fall on the line, and a substantial number are needed. The point to be made here, however, is that not each and every job need be plotted. Rather, a sample of selected jobs, or "key jobs," are plotted. For one thing, some jobs of the company are unique in that no other company has these specific jobs. As one executive put it, some jobs have a "value peculiar to the company." This is especially true at the executive level. Though the jobs contain some similarities with jobs of other companies, there are frequently differences. As it is therefore not possible to find comparable jobs for all jobs in the company, a sample is mandatory.

"The fundamental concept of all job evaluation procedure is founded on the basic assumption that the existing general wage structure provides an acceptable frame of reference for revisions of individual inequities in rates. Wage structures always reflect custom and tradition to some degree, but basically they are the result of natural and competitive forces in the labor market that must be accepted. An analysis of any large group of jobs
will always reveal certain high and low rates, the causes for which are artificial and lack economic stability. This can and must be accepted as the condition of individual intra-plant inequities that job evaluation is designed to correct. However, it is equally true that the general wage trends must be accepted; not to accept these trends would be to assume that all rates are artificial, or without a foundation on which to build an acceptable wage structure.¹

From the company's own salary trend line, from a community trend line, and from an industry trend line, the company's new salary trend line is drawn. This will not necessarily be any of the previously constructed three, nor any certain combination of them. The construction of the new salary trend line for the company is essentially an administrative decision. The surveys made will of course be a help, but the following general questions remain: (1) Does the company want to be above, at, or below the market (which market); (2) If above or below, then how much; (3) Does the company want the same slope as the market or markets or do they desire a faster or slower slope, i.e., pay the higher jobs relatively more or less than the lower jobs. Arch Patton in his article on Executive Compensation points out that "You get what you pay

A number of top managements have been convinced, by their own and other companies' experiments, that above-average salaries attract above-average men. Some go so far as to attempt to maintain their salary level at a relatively fixed percentage, say 10% to 15%, above the going rate for their own industry and for their own size. The fact that they are among the most successful companies points to a certain measure of wisdom in this policy.¹

Salary Ranges

Once a trend line has been selected, it is necessary to also supply upper and lower limit lines rather than just one line. This, in effect, gives some latitude in salary determination. Otherwise the specific salary for each job would be automatically determined regardless of the man on the job.

Newman points out that "the design and administration of the structure must be sufficiently flexible to recognize

¹Patton, Arch, "Current Practices in Executive Compensation," Harvard Business Review, Vol. XXIX, No. 1, Jan., 1951, p. 64. The main theme of Patton's article is the interrelationship between company profits and overall executive salary levels. He points out (p. 58) "Only after executives have increased the profits of their company can they anticipate higher salaries. It does not appear to be a question of which came first the chicken or the egg. The profit apparently must come first." But his major conclusion (p. 64) is "a reasonably convincing argument for a company to pay higher executive salaries than does its competitor" (in order to increase profits).
differences in the contributions of individual executives.¹

Of the 52 companies answering the question "Is there a salary range or limitation on most individual executive jobs?" for Administrative Management Positions the answers were "No Limitation" (33), "Salary range (both the minimum and maximum)" (14), "Maximum only" (5). For the same question, the 60 companies answering for Operative Management Positions gave the following answers: "Salary range (both minimum and maximum)" (33), "No Limitation" (22), "Maximum only" (5). No companies used only a minimum or had only one salary permissible. These answers follow through with the less formality theme for Administrative Management jobs. Only about a quarter of these have established ranges. On the other hand about two thirds of the Operative Management jobs have established salary ranges.

One Company President pointed out that he feels that it's "psychologically bad for any man to think there's a limit on the job." "I wouldn't like to have a limit on my own job." "Company does not want to imply that there's any limitation on a man's job." This same President stressed his preference for informality in all organizational phases of his company.

Of the 46 answers given for supervisory and top executive jobs to the question, "If the salary range

¹Newman, op. cit., p. 361
established on most executive jobs is standard or uniform, what is the percentage range (maximum above minimum)."
The answers were "Less than 20%" (1), "20% thru 29%" (2), "30% thru 39%" (13), "40% thru 49%" (8), and "50% and over" (22). In other words the median salary range was just about 50%, that is, the maximum salary was 150% of the minimum salary. The Operative Management Position had 19 answers under 50% with 11 answers 50% and over, while the Administrative Management Positions had 5 answers under 50% with 11 answers 50% and over. The salary range for top executive jobs therefore averaged a wider percentage spread than did the lower ones.

Salary Grade Progression

In response to the question, "Are executive jobs grouped into salary grades so that several jobs can be handled the same for salary control purposes," for Administrative Management Positions, 23 answered "No," while 15 answered "Yes." However, for Operative Management Positions, only 18 answered "No" while 31 answered "Yes." The progression from one executive salary grade to the next (minimum for one to minimum for the next higher) where a standard progression was reported by the insurance companies was in 4 cases less than 10%, in 18 cases from 10% thru 19%, in 3 cases from 20% thru 29%, in 2 cases from 30% thru 39%, and in 2 cases 40% or more.
By far the largest proportion of companies reporting a standard salary grade progression ranged from 10% thru 19%. It should be pointed out that a higher or lower progression does not necessarily mean that higher or lower salaries are paid. It merely means that the way the salary grades are developed, a grade will be relatively less or more inclusive. It is quite possible that two companies have the same salary trend line, and one company has a salary grade progression which is twice that of the other. This is of course rationalized by the first company also having half as many salary grades. The two factors which must be resolved in determining the salary grade progression and the number of salary grades are that (1) the difference between salary grades must be large enough to mean something to the individual who is promoted to a job in the next higher grade, and (2) as this is generally a grouping procedure -- all jobs within one grade are treated the same for salary control purposes -- the grades should not be so big as to group jobs together of marked different worth. The 15% of Weber's Law of Discrimination would seem to satisfy both of these conditions, and it is not strange that the most common progression lies therefore from 10% thru 19%. A point to be made here, and emphasized, is that this problem of salary trend line, the relationship between the company's point values and money, from which
grade-progression/grade width decisions are made, is not something to be constructed a priori. It is empirical; it comes from the community and the industry (and the company's own experience). Wage Administration is based on this empirical concept. The "market," although imperfections are expected, is relied on for the underlying trend.

This 10\% thru 19\% was also the most common progression from the highest clerical grade to the lowest supervisory grade. However almost as many companies reported that the highest clerical grade had a higher minimum than the minimum of the lowest supervisory grade. This was the case where the programs were different and the salary scales overlapping.

Merit Rating

"It is well to distinguish between a reasonable salary for a given position and variations above and below this amount that reflect how well the man in that position performs the various duties. By first concentrating on the value of a position, regardless of the incumbent, the problem can be reduced to more manageable terms. After this is done adjustment can be made for the quality of individual performance."\(^1\)

\(^1\)Newman, op. cit., p. 361.
Of the 71 answers given by the insurance companies to the question, "If the job is first evaluated independently of the incumbent, on what basis does the incumbent receive a particular salary with the salary range," the answers were "Merit" (54), and "Seniority" (17). Most of the "Seniority" answers were given in conjunction with "Merit" so merit is by far the more common consideration in salary placement within rate range (including raises). However, several companies gave seniority as the sole determinant in this placement. There was no difference between administrative management and operative management in this decision. One feeling mentioned by several executives during interviews, was that if a man had not received a merit increase for a number of years (3), he would probably be given some raise on the basis of his length of service to prevent deterioration in morale. This very action was observed several times even though the program specifically indicated this was not to happen. Size of company does not seem to affect the relative importance of merit and seniority in determining salaries within the established rate range. One company points out (See Case #1): "Seniority alone is not sufficient to justify an employee's salary being raised above the maximum for the Grade assigned his position, or being raised above
the Step in the Grade to which his performance entitles him. Length of service is partially compensated by such features of the Company's Employee Benefits Program as increased retirement, vacation, and sick leave benefits."

The question was asked, "Is there a formal merit rating of executives." Of the 51 answers given for Administrative Management, only 2 had formal merit rating. Of the 55 answers given for Operative Management, 20 had formal merit rating. Executive merit rating then was treated less formally by these reporting companies than even executive job evaluation especially at the Top Management level. One Vice President of Personnel mentioned that though "progress reviews (merit ratings) are given all employees two times a year -- over 10 years employees are rated once a year -- this is not actually done on vice presidents," though this exception is not actually provided for. Though merit rating, either formally or informally, is used to determine executive salary placement within established salary ranges, the interviews and observation revealed that this was not a reversible process. If a man's worth on a particular job increased he would be given a raise; however, if this worth seemed to slip at some later date, his salary would not be reduced. Over a three year period in one company observed, this had not happened once. Formal executive merit rating programs were
more common in the large companies than in the small ones, and it was the very largest -- over 5000 employees -- that both of the two formal plans were reported for top management.

For those companies who used some formal system of executive merit rating, the following merit factors were given:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency of Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of Position</td>
<td>eleven</td>
</tr>
<tr>
<td>Accuracy-Quality-Dependability</td>
<td>ten</td>
</tr>
<tr>
<td>Judgment</td>
<td>nine</td>
</tr>
<tr>
<td>Quantity of Work performed</td>
<td>eight</td>
</tr>
<tr>
<td>Cooperation</td>
<td>eight</td>
</tr>
<tr>
<td>Initiative</td>
<td>seven</td>
</tr>
<tr>
<td>Leadership</td>
<td>five</td>
</tr>
<tr>
<td>Capacity for future development</td>
<td>four</td>
</tr>
<tr>
<td>Planning</td>
<td>four</td>
</tr>
<tr>
<td>Health</td>
<td>three</td>
</tr>
<tr>
<td>Teaching skill</td>
<td>three</td>
</tr>
<tr>
<td>Supervisory skill</td>
<td>three</td>
</tr>
<tr>
<td>Attitude</td>
<td>two</td>
</tr>
<tr>
<td>Dependability-reliability</td>
<td>two</td>
</tr>
<tr>
<td>Responsibility</td>
<td>two</td>
</tr>
<tr>
<td>Personality (appearance)</td>
<td>two</td>
</tr>
<tr>
<td>Personnel relations</td>
<td>two</td>
</tr>
<tr>
<td>Personal performance</td>
<td>two</td>
</tr>
<tr>
<td>Staff and Public Relations</td>
<td>one</td>
</tr>
<tr>
<td>Delegation of authority</td>
<td>one</td>
</tr>
<tr>
<td>Ability to work without supervision</td>
<td>one</td>
</tr>
<tr>
<td>Attendance</td>
<td>one</td>
</tr>
<tr>
<td>Adaptability</td>
<td>one</td>
</tr>
<tr>
<td>Ability to perform job</td>
<td>one</td>
</tr>
<tr>
<td>Resourcefulness</td>
<td>one</td>
</tr>
<tr>
<td>Conduct</td>
<td>one</td>
</tr>
<tr>
<td>Performance</td>
<td>one</td>
</tr>
<tr>
<td>Emotional Balance</td>
<td>one</td>
</tr>
<tr>
<td>Drive</td>
<td>one</td>
</tr>
<tr>
<td>Building Morale</td>
<td>one</td>
</tr>
<tr>
<td>Ability to get cooperation</td>
<td>one</td>
</tr>
<tr>
<td>Understanding of Broad Problems</td>
<td>one</td>
</tr>
<tr>
<td>Unit Performance</td>
<td>one</td>
</tr>
<tr>
<td>General</td>
<td>one</td>
</tr>
<tr>
<td>Factor</td>
<td>Frequency of Factor</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Increase in business</td>
<td>one</td>
</tr>
<tr>
<td>Loss ratio</td>
<td>one</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>one</td>
</tr>
<tr>
<td>Unit's quality of work</td>
<td>one</td>
</tr>
<tr>
<td>Unit's quantity of work</td>
<td>one</td>
</tr>
</tbody>
</table>

It is interesting to point out that one company, Case #3, had a formal program of merit rating for executives and then dropped it because, "The form became more important than the substance," "too much work," "too mechanical," "some took it seriously, some not," "a damn nuisance."

**Raises**

In answer to the question "How frequently (on the average) have raises (not promotions) actually been given to executives (before Salary Stabilization Regulations)," of the 52 answers given for Administrative Management Positions, 38 were at least every year, 10 were through the second year, 3 were through the third year, and one was less frequently than every four years. Of the 53 answers given to the same question for Operative Management positions, 44 were through the first year, 8 were through the second year, and 1 was through the third year. Most companies give raises once a year to their executives.

In answer to the question "How large, on the average, have been the raises (not position promotions) given to executives (before Salary Stabilization Regulations)," of
the 53 answers given for Administrative Management Positions, 3 were for less than 5%, 29 were from 5% through 9%, 19 from 10% through 14%, and 2 were for 20% or more. Of the 52 answers given to the same question for Operative Management Positions, 3 were for less than 5%, 36 were from 5% through 9%, 12 were for 10% through 14%, and 1 was for 20% or more. Though slightly larger raises were more common for top executives than for supervisors, the median raise for both was from 5% through 9%.

The Salary Stabilization Regulations introduced during the Korean conflict affected about half the companies surveyed. Of those companies affected, about half reduced the size of raises given, about a quarter the frequency of raises given and the remainder either introduced or added to a formalized program.

One method of controlling raises is through the use of a report to Executives which includes a measure of the relationship between the salaries of their group and either a selected standard or the company as a whole. This type of report is issued by one company (see Case #1) which includes a figure serving the same purpose as E. N. Hay's "compa-ratio."1

1Hay, E. N., op. cit., p. 4
This measure is called the "Average Step Placement" and is computed for each Division and the Total Company. The steps are the progressions within each salary grade -- each salary grade having five steps. The measure is computed as follows:

<table>
<thead>
<tr>
<th>Step</th>
<th>No. in the Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
</tr>
</tbody>
</table>

\[
\frac{2.58}{124} = \text{Average Step Placement}
\]

Each Vice President receives this report monthly including both his division and the Total Company. If his division is above or below the Company picture, it is not in line with the rest of the Company. This does not necessarily mean it is right or wrong for the division to be out of line, but it does give such a division the opportunity to investigate whether it is justified in being out of line.

**Organization**

Most companies assigned the administration of an executive salary program to a specific group (49 out of 60 companies). The functions performed by such a group
included, "Review proposed salary or raise for conformance with program" (33), "Notification when individual salary reviews are necessary" (24), "Compilation of reports for the Salary Stabilization Board" (15), "Send out merit rating forms" (14), "Executive salary control reports issued" (13). This group assigned these functions was usually attached to the Personnel Department, but in some cases was attached to the Comptroller's Department. This kind of program administration is frequently done by the same group that actually evaluates the executive jobs. However if this evaluation is carried on by a major executive such as the president, or is done by a committee, these functions are performed by a separate group. In several companies interviewed the group which handled clerical job evaluation and salary administration also handled executive job evaluation and salary administration. This was particularly true of the administrative phases other than the actual evaluation.

"No evaluation plan, however good it may be, is worth the time, money, and effort expended if it is not continued and properly administered."^1

^1 Jones, P. W., op. cit., p. 235
Summary

Following the determination of the worth of an executive job by some formal means of evaluation, it is necessary to convert this into monetary value for salary purposes. This is part of the job of salary administration. One of the basic assumptions underlying job evaluation is that, aside from the imperfections which do exist in the market, the market is relied upon to supply the basic salary trend line for purposes of conversion to money rates. This salary trend line is empirical. An administrative decision does have to be made, however, as to what market to use, and what modifications are desirable. A salary range of 50% (maximum above minimum) was revealed to be the median by this particular research. The progression from grade to grade was most commonly between 10% and 19%. The progression was geometric.

Merit was discovered to be the basic factor in determining where an individual's salary would be placed within the allowable salary range. However, less than 5% of the companies contacted had a formal system of merit rating for administrative management, and only about one third had a formal system of merit rating for operative management. Though salary expense control was given as one of the major objectives of executive job evaluation, a control report mechanism to serve this purpose was not commonly found.
PART II
CASE #1

The Company is a multiline company, though primarily casualty, with over 5000 employees. An executive salary administration program was installed by a consultant during 1949. The general responsibility for administration and coordination of the program is the responsibility of the Office of Personnel. The executive Salary Administration Program Department in the Office of Personnel is specifically responsible for the maintenance of the program.

Purpose of the Executive Salary Administration Program

The stated purpose of the executive salary administration program for the companies is to assist the Board of Directors and top management to:

A. Provide adequate incentives to attract, encourage, and retain the strong executive staff necessary to achieve the Companies' objectives and to keep pace with their expanding responsibilities.

B. Carry out the Companies' policy of equal pay for equal performance and responsibility.

C. Eliminate, in so far as practicable, by sound position evaluation any inequities in the pay of positions of equal worth.

D. Maintain fair and consistent salary ranges which provide for periodic increases to individual executives and supervisors commensurate with their performance and length of service, and based upon a systematic review and appraisal of each person's results in terms of established objectives and standards for his position.
The basis of the executive salary administration program is position or job evaluation. The Company felt that a growing need had developed for better methods of measuring the relative value of executive and supervisory positions and for establishing guides which would more adequately assist top management to maintain equitable salary rates. This need arose from the following conditions: "many positions within the Companies have become more complex; many positions have become specialized; new positions and combinations of positions have developed with the growth of the Companies; expenditures for wages and salaries have increased to the point where they represent a major cost problem; rates of pay for various types of positions are constantly subject to change; and salary ranges should be established that will attract and retain adequate executive talent to manage successfully the Companies' rapidly expanding volume of business."

The Company felt that "along with the growth and development of its volume of business, top management should provide for the coincidental growth and development of its executive and supervisory personnel, where positions are clearly defined and appropriate salary ranges are determined on the basis of objective evaluation of each position, as compared to other positions within the organization and similar positions in applicable industries."
and communities, definite encouragement is provided for the attainment of superior performance and greater job satisfaction. Further incentives are provided for the development and retention of desirable personnel by means of a systematic salary schedule which assures recognition and reward for increased ability, improved performance, and length of service." It was felt that the program was designed to "place the organization in a much stronger competitive position in the open market for attracting, as required, encouraging and retaining adequate management abilities and skills necessary to the over-all effectiveness and continuous growth of the organization."

Steps in the Program Development

(1) The plan adopted by the Company for executive job evaluation was a so-called point system. Representatives of the management consultant firm that the Company retained made a preliminary survey of the executive positions in the Company. The results of this survey were interpreted to show that all the positions affected could be broken down into ten major factors for the purpose of appraising and evaluating their varying degrees of complexity, difficulty, and value.

The following factors were selected as best adapted to the program:
A. **Scope**
   1. Difficulty
   2. Responsibility
   3. Authority
   4. Relationships

B. **Management Fundamentals**
   5. Research and Development
   6. Work and Organization Planning
   7. Direction, Coordination and Control
   8. Personnel and Public Relations

C. **Qualifications**
   9. Education
   10. Experience

(2) Conferences were held with each General Insurance Cabinet Officer (Vice Presidents and Assistant Vice Presidents reporting to the President) and his executive personnel concerning their participation in furnishing the necessary data required from their respective divisions and sections.

(3) A Position Description was completed by the incumbent of each position affected with the assistance of his immediate supervisor and/or a member of the consultant's staff.
(4) A Position Analysis sheet (brief summary for each of the ten evaluation factors) was filled out by the immediate supervisor from his study of the description and consultation with the incumbent.

(5) The Position Analysis sheet was compared with the various levels of each factor to determine the appropriate level of evaluation for each factor.

(6) The level determined with respect to each factor was then checked with the scale of Factor and Point Values to determine the point values to be allocated to each factor.

(7) All the point values from each of the ten factors were added to determine the total points allocated to the position.

(8) The Position Descriptions and the Position Analysis sheet were examined by the General Insurance Cabinet Officer concerned for accuracy, and, together with an organization chart of his office, were recommended by him to the consultant.

(9) The consultant then classified all positions into appropriate grades in accordance with the Scale of Points and Grades which had been determined and established the minimum-maximum range for each grade.
(10) The results of steps one through nine were recommended to the Board of Directors and were then approved by the Board.

(11) No salaries were lowered in the few cases wherein the incumbent's salaries were above the maximum for the grade to which their positions were assigned.

Program Administration

The program manual sets forth the following guides for administering the program:

A. Administrative Responsibility:

The administrative phase of the Executive Salary Program will be carried out under the general direction of the General Insurance Cabinet Officer for the employees of his office. The procedures of the program and certifications within the program will be carried out under the general direction of the Vice-President, Personnel, in conformity with established policies.

B. Administrative Policies and Regulations:

1. Each person included in the Executive Salary Program will be furnished the following information by his immediate or higher supervisor:
   
a. The purpose of the program;

   b. How the jobs were and are being graded;
c. The dollar ranges of the Grades and the steps within the Grades.

d. The Grade his position is in and what is expected of him if he is to reach the top of that Grade.

2. Each person included in the Program has the right to question any part of it, including his salary and the grading of his position. He is, first, to discuss the matter with his immediate supervisor. If not satisfied, he is to discuss the matter with the next supervisor up the line, and so on until he has consulted his General Insurance Cabinet Officer. If still not satisfied, he is to consult the Vice President, Personnel. As a final step, he may appeal to the President of the Companies.

3. Any disputed salary adjustments that cannot be agreed upon among the recommending supervisor, the General Insurance Cabinet Officer concerned, and the Vice President, Personnel, require the President's approval.

4. New positions must be graded by either the Wage and Hour or the Executive Salary Program Department in accordance with the procedure outlined in The Program Manual before any steps are taken to fill the position.

5. The Position Description and the Position Analysis of each position in the Program will be reviewed
for accuracy at least once a year to assure that the duties and responsibilities detailed in the position description are those assigned to and being performed by the incumbent. They will be reviewed at any time upon receipt of a request for such action in accordance with the procedure outlined in the Program Manual.

6. These factors and data, among others, will be considered in keeping the salary structure up to date:

   a. Total salaries paid by insurance companies similar to it in the area and nationwide.
   b. Pay by other insurance companies for positions similar to it in the area and nationwide.
   d. Chamber of Commerce data for the area and nationwide.
   e. Surveys by professional organizations.
   f. The determination of what is an equitable distribution of earnings among the Policyholders, the Employees and the Company.
   g. Changes in the cost of living.

7. A company car or company expense account shall have no effect on an individual’s salary. It is assumed that the car and expense account are assigned to the position rather than to the person, and that they are so assigned because they are necessary for the position if it is to serve the company best.
8. Retirement, vacation, paid holidays, educational assistance, the Companies' employee insurance program, and sick leave are a part of total compensation to employees; and their cost was considered in allotting money for the total salary program of the Company and in determining rate ranges of the Grades. They are not to be directly applied in setting an individual's salary except as they reward seniority.

9. An employee's salary must be within the minimum-maximum established by the Grade assigned his position, and his salary must be on one of the Steps in Grade. The following are possible exceptions, depending on the merits of each individual case, such merits to be determined by the General Insurance Cabinet Officer concerned in consultation with the Vice President, Personnel:

   a. Exceptional performance in the case of an employee who had reached the top salary of the Grade assigned his position if no position of higher Grade for which he might qualify is open. The term "exceptional performance," if properly applied in all departments and divisions, should limit the number of such cases to a very few -- not more than five to ten per cent of the people in the program. Promotions to higher graded positions will normally accrue for a portion of this limited group, leaving an even smaller percentage to be considered for recognition above the maximum for their grades.
b. Downgrading of a position: If a position is reduced in Grade at any time other than during a general downgrading of all jobs for retrenchment purposes (if downgrading of jobs should be one of the methods adopted to effect retrenchment) every effort will be made not to reduce salaries of incumbents if there is a possibility that turnover, promotion, transfer, retirement, or the like may remove the overpaid within one year. After a year's time, where an anticipated adjustment or removal has not taken place in accordance with the possibilities suggested above, each such case will be reviewed by the General Insurance Cabinet Officer concerned and the Vice President, Personnel, to determine whether the salary should be reduced to the maximum for the Grade. Employees appointed to the position after the regrading are to be paid at the new rate.

c. Salaries of new appointees to positions: Generally, the salary of a person newly appointed to a position should be the minimum of the Grade assigned the position. The following are possible exceptions.

1. A new employee whose qualifications are above the minimum qualifications for the position may be started at a Step higher than the first Step provided the new employee's salary is in conformity with salaries paid for equivalent qualifications and duties.

11. A regular employee who is promoted to a higher graded position and whose salary at the time of promotion equals or exceeds the minimum for the higher graded position may have his salary adjusted to the first Step in the new Grade which will afford him a salary increase, provided the resulting salary is in conformity with salaries paid for equivalent performance on equivalent positions.
iii. A new employee whose qualifications are below the minimum qualifications for the position is to be started at a salary below the minimum for the Grade to which the position is assigned.

10. Seniority alone is not sufficient to justify an employee's salary being raised above the maximum for the Grade assigned his position, or being raised above the step in the Grade to which his performance entitles him. Length of service is partially compensated by such features of the Company's Employee Benefits Program as increased retirement, vacation, and sick leave benefits.

11. Conditions Governing Salary Increases:

a. Frequency of Salary Increases: An employee, normally, is to be considered for a salary increase between 11 and 13 months from the date of his last increase or, in the case of a new employee, from the date of his employment. An exception may be made in the case of new employees in the lower executive salary Grades (I, II and III), but only during the first year of employment. For such exceptions, increases in smaller amounts than normal may be granted not oftener than three times during the new employee's first year.

b. Amount of Salary Increase: Salary increases within a Grade are to be in the amount of a full Step. An exception may be made in the case of new employees in the lower executive salary Grades (I, II, and III), but only during the first year of employment. For such exceptions, a Step may be divided into not more than three sub-steps. Such action will permit the granting of increases at intervals shorter than the normal 11 to 13 months during the period new employees most need
encouragement. Any other exceptions require the approval of the General Insurance Cabinet Officer concerned and the Vice President, Personnel.

c. Performance: In addition to the time interval required between increases and the limits governing the amounts of increases, the following conditions must be met:

1. Advance from Step I to Step II, and from Step II to Step III requires good, satisfactory performance. Advance from Step III to Step IV requires superior performance. Advance from Step IV to Step V requires very superior performance.

ii. An audit receipt must be on file in the Office of Personnel. The receipt must bear the signature of the employee and must show that the employee's performance has been audited since his last previous salary increase.

12. An executive inventory will be made once a year according to the following plan:

a. Each General Insurance Cabinet Officer, in conference with the President of the Company and with the Vice President, Personnel, will discuss the performance and potentialities of the persons reporting directly to him.

b. Appraisals of the second, third, and fourth level executives will be made according to the following plan. The Vice President, Personnel, will assist and advise each executive in carrying out this responsibility.

i. Each executive in the first level below the General Insurance Cabinet Officers, in conference with the General Insurance Cabinet Officer concerned, will discuss the performance
and potentialities of the employees reporting directly to him who are in the Executive Salary Program.

11. Each executive in the second level below the General Insurance Cabinet Officers, in conference with the first level executive concerned, will discuss the performance and potentialities of the persons reporting directly to him who are in the Executive Salary Program.

111. Each executive in the third level below the General Insurance Cabinet Officers, in conference with the second level executive concerned, will discuss the performance and potentialities of the persons reporting directly to him who are in the Executive Salary Program.

1111. Each executive in the fourth level below the General Insurance Cabinet Officers, in conference with the third level executive concerned, will discuss the performance and potentialities of the persons reporting directly to him who are in the Executive Salary Program.

Job Description Outline

The job description used in conjunction with the Executive Salary Program included the following information:

I. Position Identification
   A. Position Title
   B. Office
   C. Department
   D. Division
   E. Section
II. **Objective**
(A brief, concise, and accurate statement of the primary aim and purpose of the position and what it is supposed to accomplish.)

III. **Responsible to** (Title of immediate superior)

IV. **Responsible for** (List titles of subordinates over whom you have immediate and direct supervision, or if not applicable, list names of functions, divisions, sections or units that you direct or supervise.)

V. **Scope**
The range and over-all extent of your responsibilities and activities in summary form, arranged in paragraphs that group related or allied functions or areas of responsibility.

VI. **Duties and Responsibilities**
The items listed below are an organized breakdown of all the functions described above. Fill in the following duties and functions as and where applicable to your particular position, so worded as to indicate the purpose and extent of your participation; i.e., whether you direct, initiate, plan, develop, maintain, study, suggest,
assist, participate, review, coordinate, establish, submit, consult, advise, take action as directed or as required, make decisions, recommendations - to whom? - etc.)

A. Planning

1. Trends
2. Policies
3. Improvements
4. Forecasts
5. Layout, Facilities 
   & Equipment
6. Work Programs
7. Work Loads & Assignments
8. Procedures, Standards, and Methods
9. Budgets
10. Schedules

(Other planning may include Committees, Meetings, Research, Supplies, etc.)

B. Organization

1. Structure
2. Staffing (includes personnel responsibilities)

C. Administration

1. Direction (list the activities which you direct through others)
2. Execution (list the specific activities which you perform personally)

D. Coordination

(Separate, according to specific activities you coordinate within your department, with other departments, with the field, with any outside organizations, etc.)

E. Control

1. Reports (Periodic and special reports you make, and to whom, and reports made to you by whom)
2. Records
3. Costs
4. Review and Follow-up
5. Inventories
6. Any other applicable controls
VII. Relationships

A. Within the Companies

(Break this down to relationships and contacts with your superior, within your department, with other departments, etc., giving main reasons for such contacts.)

B. Outside Contacts

(Refers to relationships and contacts outside the Companies, such as with trade associations, professional groups, other insurance companies, government agencies, sponsoring organizations, policyholders, suppliers, visitors, etc. -- only as applicable and as they relate to your activities and are part of your job.)

A different type description was to be written for "technical and professional positions" as opposed to executive or supervisory positions. The manual provides a lengthy outline for this description. But, almost immediately following the introduction of the program this different description was dropped.

The Point System

Each executive job is evaluated on the basis of ten factors which together should represent a complete evaluation of the job. Each factor was divided into five levels, with a general description given for the factor, and a description given for each level of each factor. The following are the descriptions given each factor, and also the five level descriptions for the first factor, difficulty:
1. Difficulty - This factor measures the over-all complexity and scope of the various phases of the position, as revealed in the detailed description, and takes into account the percentage of time devoted to each level of difficulty. In evaluating a position with respect to this factor, consideration should be given to an appraisal of the total job. The analyst should endeavor, insofar as possible, to balance an evaluation of all the duties performed. He should not be influenced on the high side or the low side by a few outstanding duties.

- 1st level - performs duties which are very intricate and complex, covering over-all problems and/or areas of activity.

- 2nd level - Performs duties which are of considerable difficulty and complexity, covering major areas of activity.

- 3rd level - Performs duties which are of average difficulty and complexity on a departmental level or in a specialized field.

- 4th level - Performs duties which are well standardized, requiring judgment in rather restricted areas.

- 5th level - Performs standardized and routine duties in a limited area of activity.

2. Areas of Responsibility - This factor measures the responsibility required of the position in order to carry out satisfactorily the duties which have been delegated to the position. In evaluating a position with respect to this factor, consider the extent to which
responsibilities have been prescribed, without regard as to whether or not commensurate authority has been delegated.

3. Authority - This factor measures the amount of authority which has been delegated to the position. In appraising this factor, consider only the extent to which authority has been actually delegated, without regard to authority required for the satisfactory performance of the position.

4. Relationships - This factor measures the importance of relationships and liaison work required by the position, including the relationships within the organization and outside the organization. In analyzing a job with respect to this factor, consider primarily the degree of supervision exercised and the level of responsibility carried out, particularly with respect to such activities as furnishing and obtaining information; influencing others to buy, sell, or furnish a service of value to the organization.

5. Research and Development - This factor measures the amount of investigation and research required for satisfactory performance of the position, including such scientific investigation and research as may affect the success of the business; for example, economic and social trends, governmental regulations, and the effects of technological developments. In appraising this factor,
consider real study required, as contrasted with mere shrewdness, as the basis for looking ahead, setting goals, making long-range plans, seizing opportunities, and preparing management to prevent "shocks."

6. Work and Organization Planning - This factor measures the amount of initiative, creative ability, and/or planning required for satisfactory performance. In evaluating a position with respect to this factor, consider the extent to which the position requires the planning of over-all programs, into operating plans, including such items as money, markets, facilities, materials, methods, and personnel.

7. Direction, Coordination, and Control - This factor measures the degrees and/or level of skill required in order to direct, coordinate and control the work of others. In evaluating a position with regard to this factor, consider responsibility for the direction and coordination of personnel and facilities in order to successfully carry out over-all plans and schedules; necessity for anticipating deviations in plans and schedules, and for taking corrective action, including the obtaining of needed assistance, when needed. Consider also responsibility for maintaining appropriate records and for making adequate reports of operations, and for coordination both within the sphere of the position's operations and with the related groups.
8. Personnel and Public Relations - This factor measures the degree of responsibility delegated to the incumbent of the position with respect to personnel and public relations. In evaluating a position in regard to this factor, consider requirements of the position with respect to the difficulty of overall personnel programs, labor negotiations, and/or public relations assignments inherent in the position, and the extent to which the incumbent is required to create and/or maintain favorable conditions and attitudes on the part of all groups affecting the company's operation.

9. Education - This factor measures the minimum amount of knowledge, skill, formal education and training required by the average person to perform the duties and responsibilities of the position satisfactorily. The term "equivalent" is used to indicate comparable training necessary to develop the knowledge and skill required on the job regardless of how acquired. Consideration should be given only to the average minimum amount of actual education and training required to perform the duties satisfactorily. It is recognized that the qualifications of the most satisfactory employees currently in the positions affected may be a practical yardstick for measuring the level of training needed, but not necessarily so. Each case must be determined on its own merits.
10. Experience - This factor measures, in addition to formal education specified in Factor 9, the minimum amount of previous applicable experience required by the average person in order to be qualified to perform satisfactorily the duties and responsibilities delegated to the position affected. In evaluating a position with respect to this factor, we are concerned only with the minimum applicable experience required. This experience may be acquired either inside or outside the organization, but must be directly related to the requirements of the position affected.

To give an over-all picture of the "weight" given to each factor, the number of points given to the first or top level of each factor is shown below. The lower level point assignments are proportioned to the top level.

I. Scope
   1. Difficulty 70
   2. Responsibility 60
   3. Authority 50
   4. Relationships 40

II. Management Fundamentals
   5. Research and Dev. 60
   7. Direction, Coordination, and Control 40
   8. Personnel and Public Relations 30

III. Qualifications
   9. Education 40
   10. Experience 60

Total 500
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<th>Grade</th>
<th>Min.</th>
<th>Max.</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
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<td>2700</td>
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<td>3300</td>
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<tr>
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<td>7500</td>
<td>8250</td>
<td>9000</td>
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<tr>
<td>VI</td>
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<td>8000</td>
<td>9000</td>
<td>10000</td>
<td>11000</td>
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<td>12500</td>
<td>13750</td>
<td>15000</td>
</tr>
</tbody>
</table>

Several higher grades, point ranges, and salary levels are provided for the top executive levels (up to Grade XII - over $40,000) in the Company, but this information is not made available to either outsiders or the Company's own personnel.

**Merit Rating**

A merit rating form is provided for executive audits, but it is used only at the lower levels of the executive group. The rater is asked to circle an appropriate number representing one of four degrees of conformance with a given question. Space is allowed for comments. The questions include:

a. Considering the assignments given and the staff available, what is the quality of the work accomplished?

b. Considering the assignments given and the assistance available, what is the quantity of the output?

c. If producing results based upon pre-determined
time schedules are important to the job, how well are
time schedules being met?

d. Thinking in terms of the assignments given and
the authority granted, has proper degree of responsibility
been taken and willingness shown to discharge assignments?

e. With reference to the group work, do you believe
that good training is indicated? (Is the staff being
developed?)

f. With reference to this worker, what is being done
for self-development?

g. How about the origination and development of
new ideas?

h. Review the performance of the employee in regard
to relation with co-workers and individuals and groups
outside the organization.

Organization

To carry out the Executive Salary Program, the Company
has established in the Personnel Division, an Executive
Salary Program Department. This department consists of
a Manager, two Analysts, Secretary, and two clerk typists.
The duties of the department include:

I. Executive Job Description.

A. Write descriptions of all jobs on the
Executive Salary Program or assist incum-
 bent or his superior in writing the
description for approval and distribution.
B. Prepare position analysis sheets.
C. Review the description yearly, or as required, to adjust it for changes.

II. Job Evaluation

A. Using established factors, evaluate the positions on the Executive Salary Program.

III. Salary Adjustments

A. Notify appropriate Vice-President when any BSP personnel in his office are due for salary adjustment consideration.
B. Secure, record, and furnish the Vice-President Personnel information required to approve or not approve salary adjustments.
C. Review, appraise, and maintain file on all Salary Stabilisation Board rulings. (During the SSB period).

IV. Salary Surveys

A. Survey salary practices of other companies in the industry and in the area.
B. Recommend necessary adjustments in Program revealed by survey.

V. Reports and Records

A. Prepare the monthly ESP Control Report for presentation to the Cabinet.
B. Prepare the salary report of salaries of all executives from top to bottom.
C. Maintain the ESP individual salary record card file (one for each executive) and alphabetical cross index.
D. Maintain file on when executive audit has been given and next one is due.
E. Maintain file on education history of personnel on the ESP.

VI. Organisation.

A. Prepare and maintain organisation and functional charts.
B. Publish and revise organisation manual.
C. Furnish advice and assistance to the Companies regarding organisation overlaps and other organisation problems.
VII. Executive Placement Nominations

A. Collect data on and write up descriptions of nominees for executive positions to be filled.

B. Conduct similar special projects assigned by the Vice President of Personnel.

VIII. Research

A. Conduct research in the fields of:

1. Executive job description
2. Executive job evaluation
3. Organization
4. Other

Executive Salary Program Control Report

The following is a summary description of the control report issued by the Executive Salary Program Department. It furnishes all the Vice Presidents information required to enable them to control the salary situation in their divisions and to participate in the control of the overall Company salary situation. The organization of the report is as follows:

1. This report is divided generally into two sections:
   a. A section giving certain information about the particular Office receiving the report.
   b. A section giving the same information, but on a Company-wide basis.

2. This division into sections is intended to make possible a quick comparison between the situation in a division and the over-all Company situation.
3. Each section is so divided as to make possible a comparison between the situation as of the current month, a month ago, and a year ago.

4. The report furnishes the following information as the basis for comparison:

   a. Total executive salaries.
   b. The percentage that the executive salaries in the Division concerned are to total executive salaries in the company.
   c. Total number of executives.
   d. The percentage that the number of executives in the division concerned is to the total number of executives in the company.
   e. The total number of executives in each salary step (not Grade) in each Office and Company-wide.
   f. The percentage that the number of executives in each division concerned in each Step is to the total number of executives in the Division concerned.
   g. The number of executives Company-wide on each step.
   h. The percentage that the number of executives Company-wide on each step is to the total number of executives in the Company.
   i. The average executive salary, stated in terms of average annual salary.
   j. Average step placement for the Division and for the Company. An example of how this figure is arrived at may be the best way to explain what it is:

<table>
<thead>
<tr>
<th>Step</th>
<th>x</th>
<th>No. in the Step</th>
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<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>48</td>
</tr>
</tbody>
</table>

\[ \frac{2.58 \times 48}{124} = (Average \ Step \ Placement) \]
Interpretation - If the Division concerned is above or below the Company picture, it is not in line with the rest of the Company. This does not necessarily mean it is right or wrong for the Division to be out of line, but it does give such a Division the opportunity to investigate whether it is justified in being out of line.

Modifications and Comments

The job description form originally provided for in the Executive Salary Program provided burdensome descriptions. It was not unusual to get descriptions of over twenty pages, with some going over thirty pages. The repetitions were numerous. The objective and scope frequently covered the same material and the detailed breakdown of the duties into management functions, i.e. planning, organization, administration, coordination, and control, became very repetitious. That is, they would deal with the same things in a slightly different way, and this added information would be no help in evaluation. Certain helpful information was omitted such as specific responsibilities for number of people, equipment, and money. Supervision received was not included, nor the specific knowledge required. Also, with the very detailed breakdown provided, each executive felt something should be mentioned under each subheading. The use of the item "Responsible for" was not consistent. In some cases it indicated positions supervised; in others where no
positions were supervised (a high level staff assistant), functions were indicated. This led to the inference that a list of functions performed meant a list of positions supervised; furthermore, functions performed were listed elsewhere. To eliminate these difficulties, a new Executive Job Description Form was developed which included the following:

1. **Identification**
   a. Title
   b. Office
   c. Department
   d. Division
   e. Section
   f. Unit
   g. Location

2. **Purpose (of organization supervised)**
   (Why is this organization component on the payroll? - a functional description of the organization component supervised.)

3. **Accountable to**
   (To what position does the job report?)

4. **Responsible for**
   (What positions are directly supervised? - indicate "None" where applicable.)

5. **Activities**
   (What does the incumbent spend his time doing? - brief paragraphs describing major activities and the percentage of time devoted to each - 100% total - start each statement with an action verb.)

6. **Responsibility and Authority** - (Nature and extent - write "does not apply" where appropriate.)
   a. Personnel - (Total number and number in each job grade.)
b. Organisation structure - (creation of new positions and/or redistribution of functions among existing positions)
c. Organization staffing - (determination of position qualifications or job specifications, and/or hiring and firing)
d. Equipment - (some indication of kind and value)
e. Money, checks, securities
f. Methods, processes, procedures
g. Inside Contacts (Who, why, how often)
h. Outside Contacts (Who, why, how often)

7. Quantitative Scope - (How big is this job? - number of people, policies, claims, letters, forms, counties, square feet, machines, etc. - any quantitative indication of the job size - the one or two most significant figures)

8. Supervision Received
   a. Frequency and type of supervision received - (are problems indicated or problems and what to be done; or problems, what should be done, and how it should be accomplished? - are specific objectives definitely and frequently set? - are definite schedules set up? - how and how frequently? - how specifically are the accomplishments of the position checked?)
   b. Functional assistance received - (what staff departments, other than those supervised, aid in solving the problems which arise?)

9. Most Difficult Function - (What part of the job requires the most ingenuity, creativeness, mental application, judgment, and/or mental courage?)

10. Knowledge Required
    a. Kind - (types of knowledge and degree of comprehension)
    b. Normal way of acquiring it - (combination of education, training, and/or experience - specific as to kind and amount of each)
General Comments on Job Description

a. Avoid "wordage."

b. Indicate only differences. (Example: all executives should be familiar with Company policies.)

c. Indicate only significant, existing facts.

d. Avoid repetition; be brief.

An example of the new Executive Job Description is given below:

1. **Identification**

   Title - Manager, Procedures Div. 
   Office - Office Management 
   Department - Methods 
   Division - Procedures 

2. **Objective**

   Develop, correlate, and maintain inter-departmental procedures for the entire company.

3. **Reports to**

   Manager, Methods Department

4. **Responsible for**

   Procedure Analysts, Steno-Secretaries

5. **Scope**

   Plans, assigns, and reviews work of analysts. Consults with, correlates, gives advice and supervision to analysts. 50

   Conducts routine divisional administration, personnel activities, salary audits, interviews, hiring. Contact superior for direction and supervision. 20

   Develops special and unusual procedures through investigation, and consultation with necessary Department and Division Managers. Serves on special company-wide committees. 20

   Conducts research in the field of procedures and trains subordinates in new developments. 10

   100
6. **Responsibility and Authority**

**Personnel - 11 total**
- Exec. Job grades, 2-3's, and 5-2's.
- Wage and Hr. Job grades, 3-4's and 1-5

**Organisation structure** - redistribution of functions between positions supervised where necessary.

**Organization staffing** - Hires and fires.

**Equipment** - does not apply

**Money** - does not apply

**Methods, processes and procedures** - Inter-departmental procedures

**Inside Contacts** - all organizational levels, through Vice Presidents regarding investigation, securing approval and release of procedures on a daily basis.

**Outside Contacts** - Other companies and professional associations regarding exchange of information on a monthly basis.

7. **Quantitative Scope**

Company-wide at all organizational levels through Vice Presidents

Process 600-700 procedures and 1,000 suggestions per year.

8. **Supervision Received**

General supervision received; much work comes directly from other departments. Checked only for conformance with Departmental and Company policies. Sets own schedules. Submits monthly reports to superior on work completed and in process. Other than weekly staff conferences, confers with superior at irregular intervals.

**Functional assistance received from other divisions in the Methods Department; Manuals; Research, Standards, Forms and Special Projects.**
9. **Most Difficult Function**

Developing and creating new procedures and selling them to the using departments.

10. **Knowledge**

Company's methods, techniques, procedures and organization structure.

One year experience required in actual procedural development plus either a college degree in Business Administration, Industrial Management, or Industrial Engineering with 2 to 5 years of business experience or a high school diploma with 5 to 10 years of business experience.

The job evaluation method as prescribed in the original plan developed by the consultant has been modified in practice. The company has grown considerably in the few years since the program was installed. Many new jobs had to be evaluated and old jobs re-evaluated. This burden fell almost entirely upon the Head of the Executive Salary Program Department. Although he felt that an executive committee should do the actual evaluation, the function still remains his. Though the consultant evaluates the top level of executive jobs (VP's) when necessary, the Head of the Executive Salary Program is called upon to evaluate jobs two and three grades above his own job.

As the system was still being shaken down, it was felt that it would be a poor idea to change the point system, the number of factors or the salary structure. Therefore, evaluation still is done within the framework of the
point system originally established. It was found difficult if not impossible to assign a particular executive job a definite degree of a factor from the abstract definition given of the factor degrees. The modification made, then, was to use other "key" executive jobs as guides in evaluation. These key jobs had been evaluated and the evaluation accepted by the organization. The comparison made was a two-fold one. In the first step the comparison is similar to the ranking method of job evaluation. The job is compared as a whole job to other key jobs (already in a grade) and a tentative grade is established for the job from this over-all comparison. The second step in the comparison with the key jobs is by factor. These key jobs have also been evaluated for each of the ten factors assigned to particular degrees. As the evaluator is familiar with the key jobs and their descriptions, he can determine which key job the job in question is most similar to for the factor under consideration. This way, a point value for each factor is determined; the total point value is computed; and the grade for the job is revealed. This grade is then checked against the grade originally determined with the ranking method. In those cases where the grades are not the same by the two methods, the procedure is repeated (possibly after a time interval) until the two methods do yield the same grade.
Again, all of this is done by one man, the Head of the Executive Salary Program Department. In this manner, a method for executive job evaluation conceived as a point system, has actually been changed into a combination ranking and factor comparison method operationally.

Several comments are pertinent concerning the salary structure originally provided. The first is that the progression from one grade to the next is not uniform. These progressions range from 20% to 33%, a difference of about two-thirds, which is a substantial difference.

This is due to the same money difference between steps for a sequence, i.e. $3000, $4000 (33%), $6000 (20%), $8000 (33%), $10,000 (25%), $12,000 (20%). The second comment is that the point spreads of the salary grades are considerably shortened at the top. Because the salary differential between the first step in one grade and the first step in the next higher grade remains approximately 25% (33, 25, 20), and the point spread of the grades becomes foreshortened, this means that the salaries assigned to the top jobs increase by an increasing amount. In other words, a simple geometric ratio is not used.

The first two grades of the Executive Salary Program are the same as the top two grades of the clerical or operative salary program, and with the use of the ESP,
the first two grades have been dropped. That is, if a job, even though it would have some executive duties, would fall into the first or second grade it is then assigned to the clerical program. In effect, then, the Executive Salary Program has for a range in its first used grade $4000 to $6000.

Raises given in the executive group for this company have average 10.5% per year in the last several years. At present, it is felt that this is too large a percentage and consideration is being given to decreasing the spread between steps within grades (presently about 10% average).
CASE 42

The Company is a Life Insurance Company with over 5000 employees. For purposes of Executive Job Evaluation and salary determination the Company's executives are divided into three distinct groups which are handled on different bases. The first group comprises employees in supervisory and technical position, who for the most part are exempt from Wage and Hour Regulations and constitute roughly 10% to 12% of the Company's Home Office Staff. The salaries of this group, which are handled most formally, range up to the $8000 level. The second group comprises "junior executives" holding both management and professional positions, roughly in the salary bracket of $8000 to $15,000 per year. The third group comprises senior officers of the Company, who are largely heads of departments, with vice presidential status.

Supervisory Positions

While the Company, for about four years prior to the spring of 1950, had been adjusting the salaries of its more than 4000 clerical employees, in accordance with a job evaluation plan, it felt that it should take steps to develop a similar formal salary program for its 600 supervisory and technically trained personnel. Accordingly,
A salary classification committee was appointed with authority to formulate a plan for evaluating these positions (roughly in the $3000 to $8000 salary range). After studying the methods by which the task could be undertaken, the committee engaged the services of a management consultant firm. The entire supervisory staff was advised in a series of meetings and by a letter signed by the Executive Vice President that the program was designed not only to achieve equity among different positions, but also to determine whether any revision of the general salary levels would be necessary to conform to salaries paid by comparable companies. Thereafter, the job classification work was begun, using a factor comparison analysis recommended by the consultant. Job descriptions of these positions were written by a group of job analysts and the positions were then evaluated by a committee established for this purpose. Early in the study the conclusion was reached that it would be necessary, if the Company were to have a consistent salary plan, to integrate the existing plan for clerical employees with the plan then being developed for supervisory and technically trained employees. In actual work tasks, little or no distinction seemed to exist between the high rated clerical positions and the lower rated supervisory positions.
A salary survey to determine salaries paid by other concerns was undertaken. Information on eighteen typical jobs was requested and replies were received from fifteen substantial insurance companies, banks, and industrial concerns. Thereafter, a salary plan was developed, establishing some sixteen salary grades for this group of Company employees, each grade being 10% higher than the preceding grade, and each grade having a salary maximum 40% above the salary minimum. The salary scale is as follows:

<table>
<thead>
<tr>
<th>Salary Grade</th>
<th>Minimum Salary</th>
<th>Maximum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1675</td>
<td>$2325</td>
</tr>
<tr>
<td>2</td>
<td>1825</td>
<td>2575</td>
</tr>
<tr>
<td>3</td>
<td>2025</td>
<td>2825</td>
</tr>
<tr>
<td>4</td>
<td>2225</td>
<td>3100</td>
</tr>
<tr>
<td>5</td>
<td>2450</td>
<td>3425</td>
</tr>
<tr>
<td>6</td>
<td>2675</td>
<td>3750</td>
</tr>
<tr>
<td>7</td>
<td>2950</td>
<td>4125</td>
</tr>
<tr>
<td>8</td>
<td>3250</td>
<td>4550</td>
</tr>
<tr>
<td>9</td>
<td>3575</td>
<td>5000</td>
</tr>
<tr>
<td>10</td>
<td>3925</td>
<td>5500</td>
</tr>
<tr>
<td>11</td>
<td>4325</td>
<td>6050</td>
</tr>
<tr>
<td>12</td>
<td>4750</td>
<td>6650</td>
</tr>
<tr>
<td>13</td>
<td>5225</td>
<td>7325</td>
</tr>
<tr>
<td>14</td>
<td>5750</td>
<td>8050</td>
</tr>
<tr>
<td>15</td>
<td>6325</td>
<td>8850</td>
</tr>
<tr>
<td>16</td>
<td>6950</td>
<td>9750</td>
</tr>
</tbody>
</table>

Company officers, who have been specifically granted personnel authority with regard to employees in their respective departments, are authorized to approve salary adjustments within the above ranges not more frequently than annually, consideration to be given on the anniversary of the employee's entry date or the anniversary of
his most recent promotion. Such increases shall not exceed the limits provided below. Within-grade merit adjustments may be made in a 12-month period, between dates for anniversary consideration, however, for (a) employees in classes 1 and 2 during the first year of their employment, not to exceed 8% of salary, and for (b) employees pursuing courses of examinations in established professional societies, e.g. Society of Actuaries, which may be granted on successful completion of examinations, likewise not to exceed 8% of salary with respect to any examination or with respect to the completion of any series of examinations. Employees whose salaries are below the minimum of their job grade may be raised to or toward the minimum of their classification at such time or times as in the opinion of an authorized officer, the employee has demonstrated that he is qualified for his position. Employees having long service with the company may receive increases on service anniversaries in excess of the maximum of their grade, not exceeding a total of 25% of the job grade minimum, with 5% allowable on the fifteenth year of service, and an additional 5% each fifth year thereafter. New personnel are hired at or below the minimum of their job grade, except that experienced employees may be hired at a point not exceeding 20% above
the job grade salary minimum. At the time when an employee is promoted from one classification to a higher classification or within a trial period thereafter not exceeding three months a promotion increase may be given to the minimum of the new salary grade, or in an amount not exceeding 20% of his then existing salary, whichever is higher, but in no case exceeding the maximum of the new job grade. When a new position is established or the duties of an existing position are substantially changed, the position is classified by the Evaluation Committee, in accordance with the standards developed and adopted for present positions. Each department each year is granted by the Personnel Committee a budget for anticipated within-grade adjustments, which (budget) is based on a percentage of the departmental payroll, not to exceed 10%. Budgets for individual departments may be varied by the Personnel Committee, in accordance with a "comparatio" analysis, which shows the relationship of actual departmental salaries to a standard salary cost based on the mid-point of established salary ranges. Individual within-grade adjustments for the exceptional or outstanding employee are not to exceed 20% or twice the percentage allowed for in the departmental budget.

The techniques used in the job evaluation program for this group were those commonly used in the factor
comparison system. Only three factors were used in the evaluation process. These were:

(1) **Skill** - One kind of skill necessary for the successful performance of a job is gained through experience on this and previous jobs. It is measured very roughly by the time it would normally require a person of suitable aptitude to learn to perform the job at minimum proficiency. Another kind of skill required is that which is gained through formal education or special training.

(2) **Mental Application** - Mental application is reasoning, thinking and deciding in which independent action is necessary, as in planning, organizing, problem solving, creating something or making choices. This does not include the type of mental application required in the use of skill where actions are governed by standard practice, direct instructions from a superior, or doing something in a customary or established way, although sometimes a choice must be made as to which procedure must be used. Mental application, as defined here, involves freedom of choice and the power to make decisions and take a course of action which is not prescribed. Close attention is a low-level kind of mental application. Mental application is measured by the relative complexity, frequency, and variety of the thinking and by the limits
of authority for decisions made. It is influenced by the clarity with which the outcome of the decision can be foreseen.

(3) Accountability - Accountability is the requirement for the proper discharge of the duties and responsibilities of a job. It is measured by the possibility of loss through the faulty performance or non-performance of duties. This is done by examining the exposure to failure (that is, those duties where any kind of loss could occur); by the likelihood that such loss could take place; and by the probable consequences of such failure. Consider the safeguards against faulty performance, or non-performance, such as the necessity for approval or review of actions, which approval or review would limit the likelihood or severity of such failure; the degree to which responsibility is shared with others; and by guidance afforded by company policy or procedure.

At the beginning of the evaluation process, typical jobs in the company, covering the entire salary range ($3000 to $6000) were selected. These fourteen "key jobs" were compared and contrasted with one another with respect to each of the three basic factors and finally located on certain scale steps. Using the location of the key jobs on each factor scale as "fixing points," the original list of fourteen key jobs was supplemented until a total of
about thirty key jobs existed on each scale. Each scale may be thought of as extending indefinitely in each direction. The steps on the scale are at 15% intervals, i.e. each step is 15% greater in numerical value (actually a point value) than the step immediately preceding it. This step interval was selected as the company was convinced that experience and psychological experiment indicated that the human mind when measuring such intangible elements as skill, mental application, and accountability can reliably discern a difference in degree only when that difference amounts to about 15%.

Since people differ in their judgments on any particular job, all committee members will not see and vote for a difference in scale step between one job and another when in actual fact, a difference of 15% does exist. Therefore, a committee vote is reached determining a given scale step when about 75% of the members vote for that step.

Each committee member (junior executives and supervisors) compares and contrasts, or "evaluates" the amount of skill, mental application, and accountability required for the accomplishment of each job being evaluated with that required for the accomplishment of key and reference jobs which are already placed on the scale. In order to obtain a sound evaluation on each factor it is felt that usually a job should be compared with three or four on
the reference list. Through this process of multiple comparison the committee member is able to determine the scale step on which he thinks the job currently being evaluated should be placed. Committee members analyze and evaluate each job (from its description) independently before the committee meeting and submit their scale step "votes" to the Secretary. A median, or middle vote, is determined, and it is this voting record and the job descriptions which serve as the basis of committee discussion in reaching a final vote on each Factor Scale for each job.

The key and reference jobs on the factory rating scale for Skill fall between scale steps 66 and 152 inclusive; and similarly on the scale of Mental Application between steps 16 and 57, and on the Accountability scale between steps 19 and 87. Actually there is no rule prohibiting the committee from placing any given job above or below these specified scale steps on any factor. However, in actual practice the great majority of jobs coming within the scope of this program, i.e. between $3000 and $8000, will fall within the scale steps indicated. This is true because of the basic profile of the job.

A profile can be thought of as a cross section view of the job considering its three basic factors: skill, mental application, and accountability. The consultant,
in training members of the evaluation committees, developed profiles for the average $8000 and $3000 jobs. The percentage assigned each factor for the $8000 job was then multiplied by three to reflect the fact that the $8000 salary is roughly three times the $3000 figure. A summary of this follows:

<table>
<thead>
<tr>
<th>Job</th>
<th>Skill</th>
<th>Mental Application</th>
<th>Accountability</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8000 (high job)</td>
<td>50%</td>
<td>20%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>3 x 8000 (approx. top points on scale)</td>
<td>(150)</td>
<td>(60)</td>
<td>(90)</td>
<td>(300)</td>
</tr>
<tr>
<td>$3000 (low job - approx. low points on scale)</td>
<td>65%</td>
<td>15%</td>
<td>20%</td>
<td>100%</td>
</tr>
</tbody>
</table>

From this profiling the percentage distribution figures for the $3000 job and those for the $8000 job, modified by the multiplier 3, were applied to the nearest figure on the 15% step interval scale. In this way the approximate high and low points on the scale for each of the three factors were determined.

The salary schedule was developed from the Company's salaries at the time and a survey of other companies in the area and in the industry. A scatter diagram was developed on which was plotted for each job the total point value (x axis) against the salary dollars (y axis) being paid the incumbent. The scatter diagram was
analyzed and a "line of best fit" was mathematically determined. This was the existing salary trend line for all home office monthly payroll-supervisory and managerial level jobs (up to the $8000 level). Salary trend lines were developed by the same lines for the area and the industry. Job grades were constructed using the salary trend line as a midpoint (since on the average present job incumbents are assumed to be paid for about midpoint performance), and using a progression rate of 1.10 and a range of 1.40.

**Junior Executive Positions**

The junior executive group in the Company is handled less formally than the supervisory group for purposes of job evaluation (but more formally than the senior officers). This group includes positions such as Associate or Assistant Treasurer, Actuary, Secretary; Auditors, Doctors, etc. No job descriptions are written for these jobs. The Personnel Committee, a subcommittee of the top executive committee composed of Vice Presidents, is familiar with each of these jobs (about 50 in number) and made (also makes) the evaluation directly from this knowledge. The method of evaluation used by the committee was a ranking method. Jobs were compared to each other as "whole job," i.e. not by factors. Although at this level the Company does feel that the individual executive on
the job does affect the job content, the approach followed was to consider the position independent of the incumbent. It is felt that it was too difficult to break these jobs down into factors, and also that they should be handled less formally than the supervisory jobs.

After the ranking had been done, the jobs were grouped into three salary grades:

(a) $8000 to $11,000
(b) $9500 to $13,000
(c) $12,000 to $19,000

The Junior Executive Group receives salary increases on the basis of demonstrated merit performance on the job. There is no formal merit rating plan and each increase recommendation is initiated by the appropriate Department Head. These recommendations are subsequently screened by the Personnel Committee and then by the Senior Committee for Salary Review. Finally they are reviewed by the Salary Committee of the Board of Directors and ultimately approved by the Board itself. Although length of service does play some part in the salary increase recommendation and the subsequent consideration accorded it, in most instances merit performance on the job is the controlling factor.

In accordance with the provisions of the formal salary plan applicable to this group a maximum merit
increase of 10% is available on an alternate year basis or a maximum of 5% on an annual basis. In very outstanding cases these figures may be raised to 15% and 7½% respectively.

**Senior Officer Group**

The senior executive group is handled less formally for salary determination purposes than any of the other groups. There is no job evaluation as such. The position is not evaluated independently of the man in it; in fact, it is essentially the man that is evaluated. This group includes 25 to 30 executives of Vice President status. It is interesting to note that salary received in this group establishes the place in line on the first page of the company's phone book, certainly a direct tie-in with status.

This group is handled by a Salary Committee composed of the President, the Executive Vice President, and three Directors. No job descriptions are used; it is the man who is evaluated; he is personally known by this committee. These salaries are reviewed once a year by the Salary Committee, and any changes are passed on by the Board of Directors. No formal limitation is placed on the salaries in this group. In setting the compensation for these executives, the salary committee "takes into account" what is paid on the outside for like jobs. These salaries
(other than the Executive Vice President and President) range from $15,000 to $40,000.
The Company is a Casualty Insurance Company with over 5000 employees. The executive group is divided into two groups for job evaluation and salary control purposes, the Supervisory and Technical Group which includes supervisors, engineers, lawyers, "Junior Executives," Claims, etc., and the Top Management "Executive Group." Job Descriptions have been written for all executive jobs, usually by the superior of the position.

The Job Descriptions of the Supervisory and Technical jobs include the following information:

1. Identification Information

2. Duties (list in order of importance, with the required hours per week. Where duties are not performed within each week, an average of the time used, i.e. a quarterly report requiring one week would average 3 hours per week.)

3. Supervision (over others). Give titles of their jobs and number so supervised.

4. Supervision - By whom is this employee supervised? State degree of supervision, i.e. - general supervision with infrequent contact by supervisor, or close direct control. State as specifically as possible the degree of authority
this employee is permitted in such matters as:
Personnel administration (hiring, promotions, salary administration), operating of budget, underwriting commitments (limits, acceptances, determining terms, etc.), fixing credit terms and similar commitments. How final is the employee's judgment in the foregoing and similar matters?

(5) **Contact with others** - With whom and with what departments does the employee deal? On what matters? Contacts outside the Company? Give details.

(6) When there is a vacancy in this position, what is the source of replacement? i.e., upgrading from what jobs below this one?

(7) What is usually the next position in line of promotion above this one?

(8) What are the MINIMUM education requirements? Experience requirements? Reply impersonally as these requirements fit the position; do not identify the requirements with the particular present employee in the position.

Reporting to the Senior Vice President, the Company has a small Salary Control Department made up of the head
who is an Assistant Vice President, an assistant, and two girls. The Assistant Vice President handles the evaluation of the Supervisory and Technical jobs from their job descriptions. The method of evaluation used, which was developed by the company itself, is an application of the point system. This group in fact is referred to as the point rated group. There are three broad categories which include ten factors. Each factor, as well as each of the five degrees of each factor, is defined. The factor definitions along with the maximum point assignment for each factor follow:

<table>
<thead>
<tr>
<th>Maximum Points</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>Mentality - By mentality is meant mental capacity acquired through prescribed schooling or equivalent, required of an individual to fulfill the requirements of the job.</td>
</tr>
<tr>
<td>320</td>
<td>Training (Accumulated) - Training is defined as learning time. This is the total time required by an employee of the selected Mentality to acquire the necessary specialized knowledge both before and after assuming the position.</td>
</tr>
<tr>
<td>300</td>
<td>Analytical Ability - The ability required to grasp essentials, reach sound conclusions, and plan necessary action in evaluating problems and analyzing data.</td>
</tr>
<tr>
<td>300</td>
<td>Initiative - The tenacity, resourcefulness, ingenuity and aggressiveness required for the execution of the job; the ability to anticipate and provide for changing conditions.</td>
</tr>
</tbody>
</table>
Maximum Points

<table>
<thead>
<tr>
<th>SKILL, cont.</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td><strong>Personal Requirements</strong> - The ability to get along with all kinds of people, personality, tact, cooperativeness, fairness, skill in presenting facts.</td>
</tr>
<tr>
<td>320</td>
<td><strong>Executive (Supervisory Ability)</strong> - The executive ability or leadership required in organizing effort of others, and in supervising, selecting or developing individuals.</td>
</tr>
<tr>
<td>260</td>
<td><strong>Monetary (Cost Control and Reduction)</strong> - The effect on costs because of responsibility for and decisions affecting money, materials, economy of product, equipment, safety; the responsibility for and degree of service to associates, other departments, customers and the public as required by the job.</td>
</tr>
<tr>
<td>65</td>
<td><strong>Dependability and Accuracy</strong> - The required accuracy, thoroughness and reliability due to the nature of the work.</td>
</tr>
<tr>
<td>70</td>
<td><strong>Mental</strong> - The degree and continuity of the required mental and/or physical application. <strong>Physical</strong> - Fatigue or &quot;Wear and Tear&quot; resulting from the job.</td>
</tr>
</tbody>
</table>

The total of points assigned to a particular job by the Assistant Vice President determines the grade into which the job falls. The same system is used for the clerical employees with the evaluation done by the assistant to the Assistant Vice President. It is felt by the
company that "it is essential that the rating of jobs be concentrated in one or two persons as familiarity with rating produces much better results than when a number of persons do it infrequently."

There are eleven Supervisory and Technical grades (7 to 17) ranging from $3,200 to $11,155. The grades progress at approximately a rate of 11.5%. The rate range of each grade is 30%, and it is divided into five steps.

This "point-rated" group had a formal merit rating plan at one time but it was discontinued because "the form became more important than the substance, too much work, too mechanical, some took it seriously, some not, a damn nuisance." A very simple system is now used which is essentially a label for means of communication:

   A - below average
   B - average - does fill his job and that's about all
   C - very much better than average
   D - very much better than average, and in addition has potential for promotion.

Each year a salary review is made. The Department Head submits a recommendation for a raise if he feels it is justified along with rating (A, B, C, or D). This is reviewed by the Senior Vice President, and is approved or disapproved by the President. If a man has not improved
on his job, it is felt seniority must be considered every four or five years. Salary administration of the top management or "executive group" is handled by a salary committee composed of the President and two Board members. There are about 75 to 100 executives in this group. It is felt that a job at the top level depends on both the needs of the organization and the individual's capacities. While no formal system of evaluation is used at this level (above $12,000), an appraisal is made of both the job and the man. "During the course of a year a great deal of time is given to consideration" (by the President) of jobs and worth. "Good deal of weight (is) given to quality of judgment required, ability to accept responsibility, amount of personnel handled and ability to handle personnel, adequacy of performance in the job, levels in the organization, an appraisal of what the job requires of the man." "The two factors, the job and the man, are very definitely and separately considered." The salary committee reviews salaries and recommends yearly raises (generally). As executive officers must be elected each year, their salaries are fixed by the board each year.

The President feels the objectives of the Company's whole salary program are:
(a) Want executive to see his job as a career
   (therefore must consider length of service).
(b) Control of expenses - general control at a
    central point in order to grant initiating
    authority in the department.
(c) Equity - for morale purposes.
(d) Go over salaries to make sure people are not
    overlooked - a department tends to hold on to
    good people - President wants to "make certain
    those people who are better than their jobs
    are brought to light."
The Company is a Casualty Insurance Company with between 1000 and 5000 employees. For purposes of job evaluation and salary administration, the lower level of executives - "Supervisors and Technical" - is handled differently by the company from the top level of executives. The Company's supervisory group (up through $7500) is handled according to the same system as the clerical group. The evaluation however is made by a different committee. The system of evaluation used on the clerical jobs (up through grade 4½) and the supervisory and technical jobs (up through grade 7½) was developed by a consultant in conjunction with the Company about 1940.

A job description is written of each "supervisory" job by the incumbent, approved by his immediate superior, and is then audited by the salary administrator. This salary administrator reports to the personnel director. The position description is merely a one-page summary of the duties performed by the individual with the percentage of time so spent.

From this description the position is evaluated according to a point system by a job evaluation committee, the "Technical Committee." The committee is composed of a representative from each operating department, the
Personnel Department, and some other staff departments. The salary administrator, who reports to the Personnel Director, is Secretary of this Technical Committee, as well as the "Clerical Committee." The Committee must be unanimous in its decision upon the salary grade of the position being considered, or the decision is appealed. The Clerical Committee appeals to the Technical Committee, and the Technical Committee appeals to the President. In the past five years, only four or five appeals have been made to the Technical Committee which were solved there, and only ten or twelve appeals have gone from the Technical Committee to the President.

The factors used by the Committee in its evaluation are:

1. Special Knowledge
2. Experience (previous)
3. Orientation time
4. Scope of Work Knowledge
5. Initiative and Ingenuity
6. Contact (within company; with public)
7. Working Conditions
8. Responsibility for Company property
9. Supervision over others.

The maximum points assignable to each of the factors and the points for each degree of each factor are not made public by the Company. They are not known within the Company except by the Evaluation Committees. The explanation given for this by the Personnel-Vice President is: "Members of the organization would consider themselves
job evaluation experts, and then disagree." (Morale problem).

From this committee evaluation, the Supervisory job is placed within a salary grade. These salary grades have a rate range of a little over 20% and progress from one grade to the next at approximately a 10% increase. The placement within the range is determined by merit rating upon which most emphasis is placed by the Company. These progress reviews (merit ratings) are done on all employees, including the executives, by their superior. Actually the President does not do it formally on the Vice Presidents but it is done at all other levels. The progress review is made twice a year for employees with under ten years seniority, and once a year for those with over ten years seniority. The results of the progress review place the employee on one of five rated steps: Qualified, Satisfactory, Competent, Accomplished, and Superior. A rating of "below minimum" calls for corrective action, which will remove this rating or down-grade the individual. These five steps for the Supervisor correspond to five steps in the salary grade (which progress at about 5%) and determine where in the salary range they are placed. The factors on which all the employees of the Company are merit rated include:
(1) **Intelect, Judgment, and Ressourcefulness** - To what extent does he examine all sides of a situation and find solutions to problems? How reliable is his judgment and independent thinking? Consider sense of proportion, common sense, and wisdom of decisions.

(2) **Emotional Balance and Self-Control** - How well does he control his personal feelings in emergencies or under unfavorable conditions?

(3) **Fairness, Friendliness, and Skill in Human Relations** - To what extent does he command the respect and liking of others in situations requiring diplomacy? How confident are his subordinates that they will be treated fairly and impartially?

(4) **Initiative, Energy, and Follow-Through** - To what extent does he handle situations or problems promptly, make decisions, act forcefully, and carry tasks through to completion?

(5) **Technical Knowledge of Position Work** - How extensive is his knowledge of managerial or supervisory techniques and the work under his jurisdiction? To what extent does he see all of the objectives of his work and all of the best means of achieving them - the "What, Why and How?"

(6) **Selection and Training** - How successful is he in selecting, training, and developing personnel in order
to build and maintain a strong, efficient working unit?

(7) **Planning, Organization and Delegation** - How successful is he in planning, organizing, and delegating the work for which he is responsible in order to obtain the best results? Consider ability of unit to function during his absence.

(8) **Quantity of Work** - How does the volume of production under his jurisdiction compare with maximum expectations for his group? Consider unit cost and/or ratio of production to number of operating personnel. Disregard quality of work performed.

(9) **Quality of Work** - How does the over-all quality of the work under his supervision compare with maximum expectations for his group? Is it accurate and complete? How frequently does it have to be corrected or done over? Disregard quantity of work performed.

The results of this rating must be discussed with the individual rated, and a copy of the rating must accompany each salary adjustment recommendation. The superior of the rater must approve the rating which has been made. Although rating does determine salary, if performance is rated down, i.e. a subsequent rating is lower than one previously made, there is no reduction in salary.

For executives in the approximate salary range from $7500 to $10,000, the Department Head and the Personnel
Vice President submit a joint recommendation to the President as to the evaluation of the position. Since the Salary Stabilization Board activities, this group has been formalized to the extent that it is classified as salary grades 8, 8½, and 9. Steps in these salary grades are now tied into the five steps of the performance review, i.e. Qualified, Satisfactory, Competent, Accomplished, and Superior. In evaluating these positions, the Department Head and Personnel-Vice President "give consideration to jobs below this job and roughly comparable jobs"; "also try to get data from outside - competitors and even manufacturing companies." The Vice President-Personnel indicated that above the $7500 salary level they "have been operating pretty much in a vacuum"; evaluation has been "purely subjective and very unsatisfactory."

A guide used in evaluation at this level (i.e. Assistant General Council, Division Claims Manager), and levels above this group (over $10,000), position definitions are written by the incumbent of the job. These are different than the position descriptions used at the supervisory level for evaluation purposes. They include:

A. **Function** (Brief statement of (1) objective and (2) general nature of the position).

B. **Accountability** - Name position or positions to which you are directly answerable for the
successful fulfillment of your responsibilities, and the frequency and nature of contact or communications.

C. Responsibilities

1. Managerial or Supervisory: (show organization units supervised and list positions reporting directly to you as initiating supervisor)
2. Technical: (Show key duties other than supervisory, budgetary or coordinational)
3. Budgetary: (Describe major budgetary responsibilities)
4. Coordinational: (list those duties involving responsibility for interdepartmental coordination.

D. Relationships: (Describe point, purpose, and frequency of important contacts at any level that you are expected to maintain other than those with your immediate supervisor or immediate subordinates, in following areas. Include permanent committee assignments).

1. Own Department
2. Other Department
3. Outside Company

E. Authority: (List actions upon which you ordinarily make final decisions in following areas)

1. Organization
2. Policy
3. Personnel Actions
4. Methods and Procedures
5. Expenditures (include dollar limitations)
(Note: Item F is prepared by initiating supervisor of position described.)

F. **Personal Qualifications for Effective Performance in Position:**

1. **Knowledge:** (Educational background, training in recognized specialized technical or professional fields).
   a. General
   b. Specialized

2. **Experience** (Length and type of specific experience required)

3. **Personality** (Personality attributes, aptitudes and abilities required)

A supplement is included with this position definition for purposes of organizational improvement. The incumbent is asked to give suggestions in the following areas:

1. Addition of responsibilities, which are consistent with the function and can be advantageously performed by this position.
2. Elimination of responsibilities which are no longer necessary of performance, should be assigned elsewhere, or are duplicated in other positions.
3. Revisions in authority because present authority is less than or exceeds that necessary to proper fulfillment of responsibilities.
4. Other suggestions.

It is felt that the Executive Position definitions (descriptions) have clarified people's conception of their own jobs, and have eliminated some organizational overlapping. There are twenty to twenty-five executive positions above the $10,000 level and the evaluation of these positions is handled exclusively by the President. The position is considered independently of the incumbent and
the evaluation process is essentially one of ranking. Since the board approves all salaries over $5000, and there are over 600 people in this category, board approval is essentially a rubber stamp. There are no rate ranges on this "appraised group."
The Company is a Life Insurance Company with over 5000 employees. For purposes of job evaluation and salary administration the Company's executive positions are divided into two groups. Up through Assistant Manager (approximately $9000), the jobs are handled with the same system as the clerical jobs. From Manager's jobs on up, the positions are evaluated differently and less formally. The distinction made is essentially one of organizational level.

A Job Description Questionnaire is filled out by the superior of the position which is used for purposes of job evaluation and organization planning. This description questionnaire, with some additional information included, is oriented specifically toward the factors used in evaluating the job with the point system used, as can be seen by comparing the two. The Job Description questionnaire includes:

A. Identification-Information

B. Job Description (Please avoid all unnecessary use of technical terms especially those peculiar to your division. Be brief, indicate how the job functions, what its purpose is and what skills, knowledge or techniques are used in its performance. If a job consists of a
combination of duties requiring widely different degrees of skill, judgment or responsibility, number each one separately and indicate the approximate percentage of time it consumes).

C. **Initiative Required**
   1. How closely is work supervised or how limited by standard procedure?
   2. Give specific examples of how resourcefulness, ingenuity or aggressiveness is exercised in the performance of the job.

D. **Required Education** (Check the basic education which the job requires, regardless of how it may have been acquired.)

E. **Required Experience** (Assuming the requisite educational qualifications, as noted in D, what is the minimum experience required to fill the job adequately? If "required experience" is one year or more, it will be helpful if you will list any specific areas of knowledge which, presumably, have been acquired through this experience and are considered necessary for proper job performance).

F. **Errors**
   1. List typical errors which are inherent in this job.
   2. Explain the seriousness of these errors in terms of loss of time, money or good will.
   3. Explain how these errors are normally detected. Is there a detailed check, balancing operations or audit on this work?

G. **Contacts** (With whom, and for what purpose)
H. **Physical Demand** (Check if the job is the average desk job requiring no unusual physical activity, otherwise explain).

I. **Working Conditions** (Check if conditions are as good or better than average for the Company. Explain any unusual conditions. If the job involves frequently traveling, give approximate percentage of time away from home and state whether trips are normally planned in advance or must be made on short notice).

J. **Supervision of Others**

1. Does the job involve administrative supervision of others?
2. What percentage of time is spent on supervision and related administrative tasks?
3. How large is the group being supervised?

K. **Normal Progression** This job is normally filled by advancement from: ( ) and leads to advancement to: ( ).

L. **Comparable Jobs** (List, and if necessary explain briefly, all comparable jobs which you have knowledge either in your own or some other division)

M. **Additional Comments** (Write any additional comments deemed necessary to give a clear picture of the job.

An example of an Executive Job Description written for the Assistant Director, Organization and Staffing, follows:
I. Function

Responsible to the Director of Organization and Methods for maintaining over-all control of organization and staffing of the Home Office, for conducting and coordinating a program of operation audits for all Divisions and Departments of the Home Office, for establishing standards and their use for individual and group work measurement, and for guidance of Senior Methods Analysts and staff in these activities and any other projects assigned to or requested of him.

II. Operations and Activities

1. Organisation

a. Advises and assists the Director of Organization and Methods in formulating proposals for policies to control and execute the organization plan of the Company.
b. Continuously reviews the organization structure of the Company.
c. Maintains and issues Company, Department and Division organization charts.
d. Reviews and approves position and titles for all promotions through Manager level.
e. Assists Departmental management in developing organizational plans and changes.
f. Recommends organizational changes of a major nature for executive approval.

2. Staffing

a. Advises and assists the Director of Organization and Methods in formulating proposals for policies to control and execute the staffing plan of the Company.
b. Continuously reviews the staffing of Departments, Divisions and Sections.
c. Maintains and distributes records of vacancies, replacements and hiring.
d. Develops statistics and estimates necessary to staffing plans and policies.
e. Approves requests for additional personnel and replacements.
f. Recommends number and type of personnel to be hired.
g. Approves assignment priorities.

3. Operation Audits
   a. Secures authorization for operation audits in line Divisions.
   b. Inspects, appraises and recommends improvements in Departmental and Divisional methods and management.

4. Work Measurement
   a. Secures authorization for methods and time studies in line Divisions.
   b. Establishes time standards and sets up production and time accounting records.

III. Personnel
   1. Administers within his group, the personnel policies established by the Personnel Division.
   2. Recommends to the Director of Organization and Methods the selection, promotion, demotion, and transfer of titled persons in his group, and promotions of non-titled persons to titled positions.
   3. Recommends to the Personnel Division the selection, promotion, demotion and transfer of non-titled persons in his group.

IV. Finance
   1. Approves any expenses incurred for his operations to and including an amount of $500.

V. Relationships
   1. Advises and assists Departmental Management in matters pertaining to his functions. Coordinates his activities and operations with those of Departmental Management.
   2. Advises, assists and consults with Assistant Directors of his Division in the coordination of his and their various activities and operations.
3. Advisee, assists and consults with Assistant Personnel Directors in the coordination of his and their operations and functions.

Job Qualifications and Specifications

I. Educational Background

1. Degrees .........................
2. Specialization ...................

II. Work Background

1. Broad Knowledge of Home Office operations.
2. Some knowledge of Field Operations.

III. Work Experience

1. Office systems and procedures
2. Organization policies and practices
3. Staffing policies and practices
4. Operational audits or division surveys
5. Personnel policies and practices

V. Special Abilities

1. Swing attention from one subject to another with minimum loss of time and effort, and maintain maximum concentration.
2. Solve original and broad problems with tempered theoretical and practical approach.

Using these Job Description Questionnaires and Job Descriptions, Supervisory and Junior Executive Jobs (up to $9000) are evaluated by a committee composed of an Assistant Personnel Director and several Job Analysts. The whole committee, in other words, is composed of specialists. The system of evaluation used is a point system. The factors used and their maximum point assignments (for purposes of weighting) are included below:
<table>
<thead>
<tr>
<th></th>
<th>Complexity-Judgment</th>
<th>165 points</th>
</tr>
</thead>
<tbody>
<tr>
<td>b</td>
<td>Initiative</td>
<td>110 points</td>
</tr>
<tr>
<td>c</td>
<td>Education</td>
<td>150 points</td>
</tr>
<tr>
<td>d</td>
<td>Experience</td>
<td>150 points</td>
</tr>
<tr>
<td>e</td>
<td>Errors</td>
<td>90 points</td>
</tr>
<tr>
<td>f</td>
<td>Contacts - Persuasiveness</td>
<td>100 points</td>
</tr>
<tr>
<td>g</td>
<td>Physical Demand</td>
<td>30 points</td>
</tr>
<tr>
<td>h</td>
<td>Working Conditions</td>
<td>30 points</td>
</tr>
<tr>
<td>i</td>
<td>Supervision</td>
<td>80 points</td>
</tr>
</tbody>
</table>

The number of degrees for these factors ranges from four for Working Conditions and Physical Demand to eleven for Complexity-Judgment.

The evaluation made by the committee on the basis of these points for each factor places the position in a particular salary grade. These salary grades have a rate range in the area of 30% to 39%, and a progression from one grade to the next in the area from 10% through 19%. Raises are given averaging 5% through 9% essentially on the basis of seniority.

For those executive positions above the Assistant Manager level, job evaluation is handled differently. No job descriptions are written. Evaluation is not handled on a formal basis. The positions are placed into salary groupings which have maximums but no minimums. The main approach in the evaluation of these jobs is their organization level -- roughly scalar steps from the President's position. Any position which does not fall into its classification by this method is rationalized as skipping
or jumping an organisation level. In effect the job title largely determines the job classification. This evaluation is done jointly by the Vice President of the unit concerned, the Personnel-Vice President, and an Assistant Personnel Director. Recommendation is made to the President on this basis and almost always accepted. One of the major difficulties at this level is felt to be that the scope of the position varies with the incumbent.
The Company is a Life Insurance Company with between 500 and 1000 employees. For purposes of job evaluation and salary administration the executive group is divided into two segments. The supervisory group is handled with the clerical group by a system developed, and partially administered, by a consulting psychologist. The higher levels of executives are handled less formally. A job is placed into one of the two groups on the single criterion as to whether or not it is an officer (in the legal sense) of the Company. There is some overlapping financially of these two groups.

Job descriptions are written on the supervisory jobs by a Job Analyst who reports to the Personnel Director. From these descriptions the positions are evaluated by a committee. The system used in evaluating the job is closely integrated with the merit rating system -- the same factors and the same point values being used. It is felt by the Company that there is every reason to attempt to merit rate and job rate on the same factors and use the same point values (same scale) for both. It is felt that enough factors should be used to give valid and differentiating results, that there should be uniformity in understanding, and factors should be as exclusive as
possible -- not "overlapping in meaning," but that the number of factors should be kept to a minimum. Even attempting to use a minimum of factors, the company uses seventeen factors.

These factors includes ones such as:

a. Appearance
b. Understanding (insight-intelligence)
c. Ability to organize factors, methods, procedures
d. Ability to organize activities - people (Supervising and directing others)
e. Ability to give and get cooperation

All seventeen factors have five descriptive levels, and except for "Formal Education", "Experience that Improves Performance," and "Speed and Accuracy," all categories or factors are further broken down so that there are seventeen steps or levels under each factor (and, of course, seventeen different point values). The three previously cited exceptions have nine steps.

The different factors or categories have weighted values (different point values), for example:

**Appearance Factor**

<table>
<thead>
<tr>
<th>Descriptive level</th>
<th>&quot;May be unattractive or appearance not matter&quot;</th>
<th>Point value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 1/2</td>
<td>&quot;</td>
<td>2</td>
</tr>
<tr>
<td>Level 1 1/2</td>
<td>&quot;</td>
<td>4</td>
</tr>
<tr>
<td>Level 1 1 3/4</td>
<td>&quot;</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Descriptive Level 2</th>
<th>&quot;Not necessary to be pleasing - not annoying&quot;</th>
<th>Point value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2 1/2</td>
<td>&quot;</td>
<td>6</td>
</tr>
<tr>
<td>Level 2 1/2</td>
<td>&quot;</td>
<td>8</td>
</tr>
<tr>
<td>Level 2 1 3/4</td>
<td>&quot;</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Descriptive Level 3</th>
<th>&quot;Generally pleasing,&quot; etc., etc.</th>
<th>Point value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>
On the other hand, "Organising activities, supervising, directing others" is a more important factor, harder to find and rates more money value, i.e.:

<table>
<thead>
<tr>
<th>Descriptive level 1</th>
<th>&quot;No need for directing others or lone worker&quot;</th>
<th>Point value</th>
</tr>
</thead>
<tbody>
<tr>
<td>level 1/2</td>
<td>&quot;</td>
<td>0</td>
</tr>
<tr>
<td>level 1/4</td>
<td>&quot;</td>
<td>6</td>
</tr>
<tr>
<td>level 1 3/4</td>
<td>&quot;</td>
<td>10</td>
</tr>
</tbody>
</table>

Descriptive level 2  "Plans well own activities and utilizes one or two assistants," etc., etc. " 20

For job evaluation, the total number of points for the minimum requirements of the job on all seventeen factors and total points of the maximum levels of capacities which can be effectively utilized or capitalized on the job (the job is evaluated both ways), give the job range in points. There is one variation in the procedure in that category #17, "Working Conditions," the minimum, maximum, and merit ratings are the same for a particular job. From a community and industry salary survey the value of these points was determined.

Merit rating is done in the same manner. The only differences are that an employee may be given less as a merit rating than the minimum rating set for the job (and still supposedly he is satisfactory), but the employee is never given more in merit rating than the maximum that can be utilized in the particular job.
The evaluating is done by a committee composed of the immediate supervisor, the department head, and at least one qualified rater from the Personnel Department. The Company attempted to have uniformity and consistency by rating first a "base" job carefully on all factors. When this had been done it was not too difficult to decide whether the next job rated required one or more steps higher or lower ratings on a particular factor than the "standard" job initially rated. In the same way, it became relatively easy, the Company felt, for the committee to agree that a particular employee has more or less of a particular ability or characteristic (and how much) than the initially carefully rated individual in the initial "standard" or "base" job. Positions and individuals are rated once a year. The consultant spends about 20 hours a year helping the Company do this.

Supervisory jobs are grouped into salary grades from the above described system (even if theoretically each job would have its own salary range). These grades have a salary range in the area of 30% through 39%, and the progression from one grade to the next is in the range from 10% through 19%.

For the "officer group" (over $6500 approximately), the President of the Company determines what the salaries are to be. There are no formal salary limitations placed
on these jobs, and no attempt is made to distinguish the executive and his performance from the position in which he is. No job descriptions are written for these jobs, nor is any formal merit rating made on the incumbent. The attempt is made to pay these executives a "marketable value" for their jobs, but this is found difficult for positions with a "value peculiar to the Company." At the Vice President level, the Board of Directors reviews salaries each year with the President. No vote is taken on this or any other problem, but the President "gets the sense of the meeting." (This procedure reflects the President's religious background -- The Society of Friends.)
The Company is a Casualty Insurance Company with from 500 to 1000 employees. They use no formal method of job evaluation on their executive jobs (or operative jobs), have developed no written policies in connection with executive job evaluation and/or salary determination, have no job descriptions for executive jobs, and indicate they have no organization chart which includes executive jobs.

This Company's case is included because of its method for determining executive salaries as set forth in a letter: "We are actually handling our executive salary program with the old fashioned technique. To be quite frank, we have followed to a large degree the law of supply and demand, plus our individual appraisal of the particular executive concerned...there are three factors involved...in arriving at the salary of an executive as far as we are concerned.

"The first is to have knowledge of what salaries are paid in the particular field for the particular job and try to keep your particular company's executive salary relative to the salary so paid, all of which is nothing more or less than being based on the law of supply and demand. Obviously, if you can hire a vice-president or
agency director for $10,000, you certainly are not going to pay $15,000 particular if six other men are looking for the job at $10,000. It is really quite simple.

"The second factor would, of course, be the attitude of management in relation to recognizing, either by salary or bonuses, the merit of the men who are responsible in the final analysis for making the profit. This, of course, can be as varied as there are organizations concerned. Obviously, however, if the company is losing money, top executives will get nothing. On the other hand, if they are making a substantial profit these men have to be recognized in some way.

"The third factor, and I suppose you could still refer to it as the old fashioned method, is the individual appraisal of the particular executive by those associated with him...if an executive has unusual capacity and unusual ability to work intently and an unusual knowledge of the particular job concerned, it surely sticks out like a sore thumb...the salary seems to adjust itself proportionately and because of this you will find in many organizations these particular men are making more money than even the top executives of the company. Rather unique, but it still does happen because the organization must have the man and if they want him they have to pay him."
CASE #8

The Company is a Life Insurance Company with 100 to 500 employees excluding agents (not actually employees). Although there are similarities in the handling of all levels of executives for job evaluation and salary administration purposes, there are also differences. The Company attempts to handle them on the same basis, but this is not possible as the points assigned to the factor levels in the point system used do not allow for jobs above the supervisor or department manager level. The attempt to tie in all jobs of the Company from clerical to Vice President is done through the salary structure, which is explained below.

Job descriptions are written for all executive jobs. The descriptions are written by the superior of the position for supervisors and junior executives, such as General Accounting Manager, Records Supervisor, Assistant Treasurer, and Agency Superintendent. For the top level jobs such as the Vice Presidents, the descriptions are written by a Committee composed of these same Senior Officers. The President must approve all the executive job descriptions. These descriptions are used for coordination and organization planning. An example of these executive job descriptions is that for the Vice President and Comptroller:
The duties of the Vice-President and Comptroller shall be to maintain adequate records of all assets, liabilities (exclusive of Policy reserves), and all transactions of the Company; to see that adequate audits thereof are currently and regularly made; and in conjunction with other Officers and Department Heads, to initiate and enforce measures and procedures whereby the business of this corporation shall be conducted with the maximum of safety, efficiency and economy, and to supply the Actuary of the Company with sufficient and accurate information necessary for the maintenance and calculation of all policy reserves, in accordance with the Directives of the President.

**SPECIFIC FUNCTIONS**

1. General Accounting Activities

   A. Devise, install, and maintain all primary books of account and all subsidiary records in connection with the financial and cost accounting activities which includes

1. The general book of the Company and corresponding journals
2. The investment ledgers
3. The policy loan records
4. The ordinary premium accounting records
5. The policy registers
6. The Agents' accounting records

   B. Devise and approve all operating methods and systems so far as they affect accounting transactions, the financial results of the Company, or the safeguarding of the Company's assets.
C. To ascertain currently that financial transactions covered by minutes of the Board of Directors or Executive Committee are properly executed and recorded.

D. Maintain adequate records of all contracts and leases.

E. The approval for payment of all checks and disbursements of the Company which shall be signed by such Officers as may be authorized by the Board of Directors.

F. The audit of all warrants for the withdrawal of securities from the vaults of the corporation and the determination that such withdrawals are made in conformity with the authorizations established by the Board of Directors.

G. In cooperation with the Company Actuary, the preparation or approval of the regulations or standard practices required to assure compliance with orders or regulations issued by duly constituted governmental agencies.

H. The preparation of all tax returns and reports for filing with governmental agencies.

II. Financial Reports and Statements

A. Prepare and approve all financial statements and subsidiary reports planned for the guidance of the management or for general distribution and publication.

1. Monthly Trial Balance Summary
3. In cooperation with the Company Actuary, Four Months Report of Financial Condition and Statistics
4. In cooperation with the Company Actuary, Annual Reports of Financial Condition.
5. Special Statistical reports and cost analysis.
6. In cooperation with the Company Actuary, the Annual Statement submitted to State Insurance Department
7. Preparation of all accounting exhibits and schedules
   a. Schedule of Deposits
   b. Schedule A (Real Estate)
   c. Schedule B (Mortgages)
d. Schedule C (Collateral Loans)
e. Schedule D (Bonds)
f. Schedule E (Banks)
g. Schedule G (Salaries, etc.)
h. Schedule I (Commissions, etc.)
i. Schedule J (Legal expense)
j. Schedule K (Legislative expense)
k. Schedule X (Unlisted Assets)

III. Taxes

A. Supervise collections and payment of:

1. Social Security
2. State Unemployment
3. Federal Withholding Taxes

IV. General Insurance

A. Responsible for the placing and maintenance of all Company General Insurance Contracts.

V. Auditing

A. Prescribe the procedure for and direct all internal audits of cash funds, securities, inventories, and all other assets, liabilities

B. Conduct continuous and periodic audits to insure the carrying out of all prescribed procedures.

C. Make the necessary accounting and financial audits of all Company activities and locations, including Branch Offices.

VI. Budget Activities

A. Develop and install a budgetary procedure which will

1. Present to the management a forecast of operating results and financial conditions

2. Serve as a standard of performance and basis of control of the Company's activities

B. Serve as the budget officer in charge of the administration of the budget.
C. Periodically report on the results attained as compared with budget estimates and submit analysis thereof.

VII. Office Management

A. Supervise the activities of the Accounting Department through an Assistant.

B. Supervise the designing of office systems and records to be used in all departments of the Company.

C. Supervise the Home Office activities and the entire administrative personnel

1. Home Office Personnel
2. Field Cashiers and Clerks

D. Supervise the construction of salary standards.

E. Establish job standards.

F. Supervise purchasing and supply.

G. Supervise service departments.

VIII. Statistics

A. Supervise in cooperation with the Actuarial Department in preparation of all general statistics of the Company.

IX. Special Reports and Investigations

A. Investigate and report to the President or Board of Directors on any phase of the Company's business requiring their special attention.

B. Prepare special reports, analysis of costs, comparative records, and charts as required by, or of informative value to, the management.

The evaluation of executive jobs at all levels is done by a committee composed of Vice Presidents. This evaluation of jobs up through department manager is done
according to a point system. Each job is rated according to ten different factors, with both the factors and the degrees of each factor defined. The number of degrees for the factors vary from four for "Application" to thirteen for "Teachability." The factors, their descriptions, their maximum point assignments, and the levels of the Factor "Initiative" are shown below:

A. **Special Mental Skills** - The extent to which specialized fields or knowledge are required for satisfactory job performance (680 max. points)

B. **Working Conditions** - Those conditions which make a few jobs in life insurance offices less agreeable than is typical of the industry (470 max. points)

C. **Motor Skills** - The quickness or deftness required in the coordination of the eye or other sense with the muscles to perform the job (200 max. points)

D. **Teachability** - The capacity to learn necessary for an individual to fulfill the requirements of the job (675 max. points)

E. **Monetary Responsibility** - The ability required for making decisions not based on definite rules affecting risks, money, investments, equipment, materials and costs of operation (685 max. points)

F. **Initiative** - The resourcefulness, ingenuity, and aggressiveness required for the execution of the job; the ability to anticipate and provide for changing conditions; the extent to which the work is done without supervision.

1. **Requires immediate supervision.** (Work is done under such close supervision that the worker makes no decisions of procedure. All unusual cases are referred to the Supervisor for further instructions. 155 Points)

2. **Requires the assumption of responsibility for the selection of the proper procedures to be followed; or the ability to perform functions required of the position without close supervision (185 Pts.)**
3. Requires the assumption of responsibility for the selection of the proper procedures to be followed and for investigation into possible short-cut methods. (220 Points)

4. Requires moderate supervision but the incumbent directs the work of one or two other employees who follow well defined methods of procedure. (260 points)

5. Requires the selection, on occasion of unusual or varying methods of procedure which, however, are covered by general company practice; or, direction of the work of others that although specialized is routine in nature. (310 points)

6. Requires ability to plan and direct the work of others. (The incumbent is not required, however, to supervise more than a small portion of the average department, and then only in work which is highly specialized. 370 points)

7. Requires ability to plan and direct the work of others under very limited supervision; or, to assist those in executive or managerial positions in the fulfillment of their duties. (440 points)

8. Requires the resourcefulness and ingenuity to supervise a department and to coordinate the various aspects of work in that department. (The incumbent must be able to rely upon his own ability to keep a smooth functioning of the department); or, the ability to plan new courses of action within the established policies of the company. 525 points

9. Requires the resourcefulness and ingenuity covered in grade level 8 at a high level of proficiency. (625 points)

10. Requires the ability to integrate the work of several departments and to see that the work is carried on efficiently. (The incumbent must be capable of giving advice with respect to the need for changing company policy when necessary. 745 points maximum).
G. Responsibility for Public Relations - The responsibility for giving service to, and maintaining the good-will of policy holders, company agents, other companies, and the general public through correspondence, personal interview or via telephone conversation. (575 points maximum)

H. Analytical Ability - The extent, type and degree of ability required to grasp essentials, reach sound conclusions, and plan necessary action in evaluating problems and analyzing data. (685 points maximum)

I. Special Personnel Requirements - The ability and willingness, including personality, tact, cooperativeness and fairness required to get along with other employees including both subordinates and superiors. (640 maximum points)

J. Application - The degree and continuity of any required mental or physical application; unusual and frequent pressure to get work completed on schedule but does not include seasonal pressure. (390 maximum points)

From this evaluation made by the committee of Senior officers, the total point worth of the executive positions up through department manager is determined. The progression from one salary grade to the next is a constant 10%. The special salary spread within grade is approximately 30%. There is a constant relationship between point valuation and salary. (The salary midpoint of a grade divided by the point midpoint of a grade equals 1.5563, the figure presumably determined by a wage survey.) The reason that there is a geometric progression between salary grades is due to the fact that there is a geometric range of point limits for each grade, i.e. each grade has a 10% point
range -- 1100 to 1209, 1210 to 1330, etc. Therefore there is a constant relationship between points and salary. The plan allows for a geometric rather than arithmetic relationship between job requirements and compensation by assigning an increasing point difference between the factor levels. As an example, the factor for which the levels are here described -- "Initiative" -- has for point assignments 155, 185, 220, 260, 310, 370, 440, 525, 625, 745; which gives point increases between levels of the factor of 30, 35, 40, 50, 60, 70, 85, 100, 120. In other words, it is the point system rather than the salary schedule which attempts to compensate for "Webber's Law."

The number of salary grades on the Company's salary schedule is 25. The Company indicates that this extension of 25 grades was made in order to build a relationship between the clerical job values and those in junior and senior officers. Under the job evaluation scheme used, the highest possible value for a clerical job up to the rank of department manager would be 5,745 points, placing the job in Group 18. In their evaluations of clerical jobs, they have not been able to go beyond Group 13. If they have one job classification to cover possible contingencies brought about by re-evaluation, they feel they can assume that Group 14 is their top clerical group.
In studying the various levels of supervisors and department managers, the evaluation committee found that a supervisor or department manager's job class is usually four or five groups above the job class of the employees he supervises. They reasoned that, therefore, the same progression should exist at the officer (higher executive) level. On this basis they extended the range for junior officers from Group 16 through Group 22, and the Senior Officer Group from Group 21 through Group 25. At present there are no incumbents (or jobs) in the "Officer Group," which they expect will be needed with future growth.

Using this salary schedule of 25 grades, with a 10% progression between grades, and a 4 or 5 grade difference of an executive to his first subordinates, this evaluation committee composed of Vice Presidents have evaluated on a classification basis the company's executive jobs above the level of department manager.

There is no formal merit rating of executives. The Company states that seniority is the factor which determines where in the salary range the incumbent of the job will be placed.
The Company is a Fire and Casualty Insurance Company with from 1000 to 5000 employees. For purposes of job evaluation and salary administration, the executives of the Company are handled informally. The Company has been undergoing a substantial growth period, multiplying its sales by four or five times in the last eight years. The President of the Company feels that this rapid growth precludes a formal system of executive job evaluation. The executive jobs are constantly changing and enlarging, and next year the job will not be the same as this year; that is, constant revision would be necessary under a formal program. "Much of a formal program works if you're seasoned."

Though a formal system of job evaluation is used for clerical jobs, there are no semblances of formality for executive jobs, even at the supervisory level. There are no job descriptions, jobs are not grouped into salary grades, and there are no specific salary limitations on executive jobs. The Company President feels that rapid growth of the company makes it difficult to fit executive jobs into a pattern.

The main guide used for executive salary determination is informal surveys. The President "checks executive
salaries in Springfield, Hartford and New York to get the
evacutive salary picture." The Vice-Presidents do the same for their people. This information is exchanged on
a personal basis -- people contacted are acquaintances.

In setting salaries, therefore, the Company "relies
essentially on what competition pays." These informal
surveys are conducted on a continuing basis.

Although there is no formal merit rating of executives,
salary increases are essentially on the basis of merit.
Increases are also due to the growth of the Company, and therefore the growth of many of the executive positions.
The Company President feels that seniority is of more weight in giving raises at the clerical level than the executive level.
CASE #10

The Company is a Fire and Casualty Insurance Company with from 100 to 500 employees. Although all clerical employees are handled by a formal job evaluation plan, there is no such plan for the company's executive positions.

Job Descriptions are written for executive positions. For the top level jobs, the descriptions are written by the executives themselves; for the supervisory jobs -- junior executive levels (under $10,000 -- Division Head, Assistant Treasurer, Chief Accountant), the job descriptions are written by a staff specialist, the Assistant Personnel Manager. These descriptions written by the specialist are used in salary administration.

Evaluation of executive jobs is done by a committee, although not according to a formal system. The Company does intend to extend formal evaluation up to division head ("third line") level. The Committee, or group, is composed of the Executive Vice President, the Treasurer and the Personnel Manager for evaluating the top level jobs. It is composed of the Personnel Manager, and the Department Heads for evaluating the lower level executive jobs; this committee recommends to the Executive Vice President. In both cases suggestions are made to the President who must finally pass on the evaluation.
The President has changed only five or six recommendations in the last five years.

The Executive Vice President is the key to this evaluation of top executive jobs. A great deal of use is made of salary information from outside the company. The attempt is made to determine the market or going rate for as many common, or key jobs as possible. The Executive Vice President calls up other companies, people he knows, and asks what specific executive jobs are paid. He indicates that these people will not write letters with this information but will give the information verbally. Some attempt is made to tie in the salaries of the lowest supervisory group to the clerical salaries, and the top executive salaries to the President's salary. The key jobs on which outside salary information is available are used as benchmarks. Comparisons are then made of "company" jobs to these key jobs. An attempt is made "to avoid large gaps in the salary structure." The President of the Company indicated that the money value of the job is determined to a considerable extent by the market. An attempt is made to keep on the high side of the market for middle management jobs, and about average for high jobs.

The evaluation places a job into a salary grade. These salary grades have spreads of about 40% at the lower levels to about 50% at the higher levels. The salary
grades progress at a rate in the range of 10% through 19%. Although there is a limit to the salary for each job, the incumbent is not informed of it until he hits this limit. This is due to the fact that the President feels that it is "psychologically bad for any man to think there's a limit on the job." The President does not encourage formality in any phase of the business (including executive job evaluation and salary administration). The executives of the company are not familiar with the company's approach to executive job evaluation, and an attempt is made to keep salary information as confidential as possible. The attempt is to "have man look at himself and his own job rather than others and their pay."

The fifty executives of the company, their salaries, and the salary ranges on their jobs are reviewed annually by the above mentioned committees. Raises are granted essentially on the basis of merit, but the company feels it should give seniority raises (if not warranted by merit) about every three years.

In cases where the cost of living increases substantially the company does not "grant general, across-the-board increases...but prefers to give larger increases for outstanding performance, offsetting these by smaller increases or no increases at all for average or less than average performance."
The President feels that this annual review of people, jobs, and salaries "creates an atmosphere of growth -- a form of control to assure growth." He feels that "a general problem exists in getting the organization to aim to place each man in his best spot."
The Company is a Casualty Insurance Company with from 100 to 500 employees. The Company has a formal job evaluation plan for the clerical employees, but not for the supervisors or executives. The thirty people and jobs in the executive group are individually handled by the Company's President. The executive jobs are considered independently for purposes of evaluation. The President himself has been in all phases of the Company's business and is therefore familiar with the nature of the jobs. The main guide used in the determination of executive salary levels is the Insurance Report published annually by the State of New York. These reports contain salary information showing the title of the executive and the salary received during the year. Although the President evaluates the executive jobs, a right of appeal to the Board of Directors does exist. This has been used twice, and in both cases, the President "was supported."

The rather unusual feature of the Company's salary administration program is the manner in which yearly raises are granted. As the Company has been growing, each year the President compares the ratio of the Company's salary cost to "business done," and to the same ratio for the rest of the insurance industry.
The attempt is made to keep the Company in line with the rest of the insurance business for this ratio. From this comparison the decision is made as to what the total raise should be, given to the employees. The unusual feature is that all employees then get the same percentage salary increase -- from clerk to President. This is done to stress **team work**. The President feels that this treatment of the employees as, in effect, one unit, stresses this team work theme. One of the main objectives stressed for the Company's salary program was this encouragement of team work. The assumption is that anyone who will not work with the team enough to warrant the percentage raise which everyone else receives, will not remain long with the Company.
The Company is a Casualty Insurance Company with about 30 employees. The President considers that nine of these employees are in the executive (including supervisory) group. There is no formality to salary determination in the Company at any level. No job descriptions have been written, nor has any organization chart been constructed. The Company gives the appearance of a one-man company and the President feels that "an organization chart would be fiddling the lily."

The President feels that salaries of the "same job" do not vary much between companies except in larger companies. What competitors are paying like jobs is used as the main guide in setting executive salaries. With this size company, certain basic functions must be performed, and jobs peculiar to the company do not exist. For certain jobs, the President finds it difficult to fill them, and the incumbent "starts higher and gets bigger raises...Those jobs with lots of applications start lower and get smaller raises."

As the Company has been growing, the President feels that the different executive's jobs "become bigger" -- "more work and responsibility," and salaries are increased accordingly. Although some difference exists in the size of yearly raises, most employees get them; i.e., length of service is the prime consideration.
SUMMARY

AND

CONCLUSIONS
Scope and Method of Study

This study is of executive job evaluation in the insurance industry. It represents a search for new knowledge about the objectives, difficulties, and general methods of this evaluation. Economic theory is employed for its contributions. The attempt is made to discover what actually is happening in the administration of executive job evaluation and to present an analysis of the findings.

Primary information was obtained successively from: (a) an intensive observational study of one company involving hundreds of hours; (b) interviews with seventeen companies; and (c) sixty questionnaire returns. The seventeen companies interviewed were mostly in Boston. The questionnaires were sent to insurance companies doing business in New York State (in addition to other states). For a more complete discussion of the purpose, method, scope and limitations, and contributions of this study, see the Preface.

The Executive

An organisation depends on its executives for direction and coordination, and the quality of the
management supplied by these executives is, in large part, responsible directly or indirectly for the manner and degree in which the organisation fulfills its purposes and satisfies its responsibilities. The quality of management supplied by a group of executives with given skill is largely a function of their motivation. Base salary is very pervasive as a motivating agent. Not only is salary important in and of itself, it is also the starting point for most bonuses and other forms of extra financial compensation, and it is directly associated with status in our economy and culture. Also, a salary plan which allows for differences in individuals, which is at least partially developed by the executives themselves, and which allows a superior to give just and diligent treatment to a subordinate will obviously be more acceptable than one which misses any or all of these characteristics.

Wage Economics

The contribution of wage economics to executive salary determination in the form of "marginal analysis" is only as an explanation of tendencies. It is an indication of how salaries would be determined under conditions of "perfect competition," conditions which
economic writers are quick to point out do not actually exist for numerous reasons. Due to market imperfections, therefore, although tendencies are present, there exists a range of prices which is wide in many cases, within which administrative decisions must supplement the imperfect market. It has been pointed out that the demand for executive services, regulated by marginal revenue analysis, is really a measure of the relative importance of the executive position to the firm. Also, the supply of executive services, regulated by phenomena similar to marginal cost analysis, is really a measure of the relative difficulty of the executive position and its demands. The conclusion, then, which is further elaborated, is that the administrative function of executive job evaluation is necessary because of, and therefore attempts to supplement, the imperfect market mechanisms associated with executive services. It is believed that many administrators faced with this general problem are not fully aware of this conclusion, nor have they followed through its implications.

Objectives of Executive Job Evaluation

The objectives for executive job evaluation cited by those companies in the insurance industry which were observed, interviewed, and contacted were "Fairness,"
an aid to staffing, and cost control. By far the most important seemed to be the first, fairness. This objective was identified with morale and executive motivation. As was quoted, "Inequalities in basic salaries tend to offset the benefits of even a liberal plan of extra compensation. It cannot be too often repeated that, primarily, executives are interested in properly established base salaries." Fairness, of course, is a relative concept. How does the salary compare with that paid for other jobs within the company? How does it compare with salaries paid within the community and within the industry? The fairness of the price paid by a company for coal or wheat is not questioned by the administrator making the purchase, nor the vendor making the sale, as a close approximation of a perfect market determines what is fair. To be fair in its compensation of executives, a company must attempt to approximate what a more perfect market would take care of automatically. An interesting aspect of this morale objective is that "fairness" is not enough -- the method of determining executive salaries must appear to be fair to the executives. As the important point in question is the reaction of the executives to their salary and its determination, these executives must first understand how salaries are determined, and
second be convinced that they are fairly treated by this method. It was observed that many companies fall short of the first requirement, in that sufficient effort is not made to have the executive group understand the method by which their salaries are determined. This is one of the big disadvantages of a rather informal system of executive salary determination. Even though it might be eminently fair and thorough, it is difficult to explain or comprehend. A big advantage of a formal system of executive salary determination is its formality -- its system. Steps are laid out on paper and justified. Though it might be possible to overcome this disadvantage in an informal plan, formality, or the known and understood, seems to breed confidence, informality or the unknown seems to breed suspicion. This is not to say that formality is the same as fairness. It is to say that formality, and the time put into developing a formal program for determining executive salaries suggests to the executives the intention of fairness.

Although one of the objectives most commonly cited was that of cost control, the use of control reports of some kind for this purpose was not common. It would seem that the practice of some companies in this respect should be followed. In addition to some form of rate
range, these companies compile a periodic report which shows the relative placement of executive salaries within the established ranges for the different organizational components of the business. In this manner, a particular department which is "loose" or "tight" is brought to light. Some companies also follow the practice of establishing a coordinated salary increase budget yearly, rather than treating each individual salary increase as though it were unique. This, of course, does not mean that each executive will receive the same dollar or percentage increase, only that each increase must fit within the budget, which is the over-all limitation.

Difficulties of Executive Job Evaluation

The difficulties in executive job evaluation most commonly cited were that "the man makes the job," and company growth. The first is merely recognition of the fact that, especially at the executive level, it is impossible to completely define the organization regardless of the particular men placed in the executive positions. If initiative is encouraged, and a survey of the formal merit rating plans which are used reveals it is, then a creative individual is bound to have some influence on the nature of his position.
It is felt that both of these difficulties are essentially connected with salary administration, that is keeping up with the plan. For the program to have any validity, it must be current, and change, of course, makes this difficult. It follows that the ability to cope with this change should be provided for in any plan undertaken. One company originally felt that a group of two people would be sufficient to handle executive job evaluation and salary administration, including keeping up with the change. At present this same company uses six people in this group, and they are only keeping the program reasonably current with difficulty.

Another difficulty observed was that of choosing factors, if this was to be the system, which adequately represent the worth of the job. As factors are used for accuracy and/or making the job of evaluation easier, it is obviously necessary that these purposes are accomplished through their use. A further difficulty is caused by the multiple-comparison nature of salary administration. Comparison seems necessary within the company, within the community, and within the industry. As imperfections do exist in this market, it should be realized that these comparisons will not in all cases yield the same results.
Industry and community comparisons should only be used to determine the general trend of executive salaries. In terms of the statistician, it is obvious that a scatter diagram will not produce a group of points all falling on the same line. What is desired is a line of regression portraying the general trend.

Not only was a lack of proper communication of the methods of executive job evaluation observed, but also the lack of written policy regarding executive job evaluation, particularly for the top executive level.

**Methods of Executive Job Evaluation**

With respect to particular formal systems, of those companies observed in the insurance industry, about one-eighth had formal systems of executive job evaluation for their administrative management positions, while ever one-half had formal plans for their operative management positions. There was a preponderance of point systems at the supervisory level, while the less formal systems were more popular for the top executives. Where formal systems were not used, it was observed from the comments of the top executives who actually made the evaluations, or the salary decisions, that what they were actually trying to do was approximate the market. The market they were trying to approximate is imperfect and
their knowledge of it is imperfect. The main reason for not using a formal plan of executive job evaluation, other than because the company was so small that only a few executives were needed, seemed to be the restrictive implications of a formal plan. The implication almost seemed to be that executives (or at least the top group) were above this sort of thing.

Where point systems were used, the number of factors ranged from three to seventeen. Where many factors were used, some appeared to be repetitious, and to one evaluator several of his factors meant the same thing. Independent study by an applied psychologist has revealed that in a number of plans with many factors, three of the factors would account for over 95% of the difference in points. It is at this point, it is felt, that a full realization of the implications of job evaluation are most pertinent. An attempt is being made to supplement the imperfect forces of the market. An attempt is being made to determine what price a perfect market would result in. Demand and supply determine market price. Importance and difficulty are factors of a position which represent respectively these market influences. If factors are to be used, why not use those which represent what the procedure is actually trying to accomplish?
A survey of the many factors used reveals that they can be fitted into these two factors. Several writers use these terms, importance and difficulty, in presenting the need for factors, and then go on to choose other (and more) factors. A job is paid more either because it is more important to the company (demand) -- the values it contributes are greater -- or it is more difficult to perform (supply). If the task of job evaluation is to be divided in any way, why not this way?

The use of an abstract definition of factor levels, or degrees, is difficult at the executive level, i.e. how to tell the seventh level of "Difficulty" from the eighth level. Therefore, frequently, key jobs are used to illustrate the levels. It can be seen that this is a characteristic of the factor comparison system, but even so-called point systems used the technique. In one point plan observed, the technique was used even though the formal plan did not provide for it.

The use of formal plans for executive job evaluation is increasing. Of those plans found, most were formulated since 1947. Also, some of those companies contacted which did not have formal plans indicated that they planned to install a program in the near future. Where a formal
program of executive job evaluation and salary administration had been installed, although a consultant frequently aided in the installation, there was a high degree of company participation. Only infrequently has a consultant made an installation independently. However, the actual administrator of the plan has not always participated in the development of the program. It would seem advisable, for obvious reasons, that the individual who would in the future be responsible for the administration of the program, should take part in its formulation.

The most common executive job evaluator was found to be the committee. At best, executive job evaluation is merely systematic. Judgment is required, and the process is subjective. A favorable morale level is the main objective. It would seem that a committee of respected executives would make the best evaluator. In one case observed, where evaluation was done by one man, this individual more than anyone else felt that a committee should make the evaluation.

**Executive Job Descriptions**

Evaluations, if made formally, were usually done from job descriptions. These descriptions were made mainly from interviews with the particular executives.
The questionnaire method was an unimportant source of information. The participation of the executive's superior in the job description was very high, either through preliminary interview, or draft review. This is not surprising as job definition is a major form of organizing -- one of the primary functions of an executive. Though in some cases the executives wrote the descriptions of their own jobs, and this had certain advantages, they are frequently at a loss as to how to go about describing their jobs, and need help of some sort from a specialist. Most descriptions are therefore written by specialists. Where descriptions do exist, there is a widespread use of them for purposes other than, and in addition to, executive job evaluation.

Executive Salary Administration

When a program is installed, it is necessary to establish the relationship between classifications, or points (the relative evaluation within the company) and money. The salary survey producing a scatter diagram (points vs. money) was the common way of establishing this relationship. This is the basic assumption of salary administration: although the market is imperfect and cannot be relied on to supply salary information for a particular job, it does supply the underlying trend of
salaries, which is accepted as a guide. Also, as a rough geometric trend is observed between points and money in the market, it is not necessary to establish this relationship a priori. It is empirical. It is taken from actual experience. What does the market say? This a posteriori rather than a priori nature of the geometric form of a salary trend line is either not understood or not emphasized by many writers.

It should be pointed out that the phrase used above was that the trend of salaries revealed by a salary survey is accepted as a guide. An administrative decision must be made as to whether a particular company will pay more or less than the market. However, the presumption seems to be that "you get what you pay for."

The insurance companies contacted revealed the following information concerning their executive salary administration practice. Few companies place salary limitations (such as range) on top executive jobs, but over half place such limitations on operative management positions. Where a formal salary range did exist, a 50% salary spread was found to be the median (it is believed that this is higher than commonly supposed). Where a series of salary grades existed, there was a preponderance of salary grade progression in the range
from 10% through 19%. It should be pointed out that salary grade progression is not an indication of trend line, as it may only mean that the grade is more inclusive or less inclusive. There is frequently an overlap in grades between the top clerical position, and the bottom supervisory position. Merit, although not necessarily formally rated, is by far the most frequently cited means of placement within salary range. Formal merit rating is not very widely used for executives, even at the supervisory level. Where it does exist it is not a reversible process. That is, a man once advanced within a salary range for reasons of merit will not be put back later for the same reason (a lower merit rating). This observation was universal. Although most companies gave only secondary consideration to seniority in determining placement within salary range (usually raises), it was frequently indicated that after a certain number of years without a raise (3 or 4), a raise would usually be given "to prevent a morale deterioration." The bulk of raises given were in the range from 5% through 9%.

Summary of Recommendations

(1) "Importance" and "Difficulty" should be the two factors around which an executive job evaluation
system should be built, if factors are to be used. They correspond to demand and supply as market forces.

(2) Administrators should realize that they are, in effect, compensating for an imperfect market by their decisions and systems. The market should be relied upon for the underlying trend of executive salaries.

(3) Management should make an effort to appear to be fair, in addition to being fair, in executive job evaluation. This may be facilitated by:

(a) Formal systems including job descriptions;
(b) Adequate communication;
(c) Written policies;
(d) Formal merit rating systems.

(4) Salary Control reports should be used to help meet the objective of salary expense control.

(5) Constant attention should be given to executive job evaluation and revaluation to keep up with job change and company growth. This is not a "one time" project.

(6) Key jobs should be used in evaluation because of the difficulty of using only abstract definitions of job or factor levels.
(7) If the system is to have an administrator, he should help develop it.

(8) Evaluation of executive jobs should be made by a committee consisting largely of operating executives.

(9) Salary ranges should be provided in order to reward superior performance of the job. Formal merit rating systems will help in evaluating this performance.
APPENDIX
APPENDIX

The following pages present the questionnaire which was used in connection with this research. It is the same as those mailed out except for the inserted numbers which summarize the answers received. In line with the notation presented under "Questionnaire Mechanics" on the first page of the questionnaire, "t" stands for top management or administrative management, and "s" stands for supervisory management or operative management. Where appropriate, these notations are used with the corresponding number of answers received.
QUESTIONNAIRE

On executive salary determination in the insurance industry

None of the information received in this questionnaire will be identified with any company's name.

For the purpose of this questionnaire, an Executive is defined as anyone whose main job is planning, organizing, and/or controlling the work of others (a range from and including first line supervisor to President). Job Evaluation is defined as a formal system for determining the comparative worth of jobs (irrespective of the present incumbents).

Questionnaire Mechanics

For the purpose of this questionnaire, consider the executive group of your company divided into several groups. Let "s" represent first line supervisors. Let "t" represent top executives - those who report directly to the President or an Executive Vice President. Use "m" to represent a middle management group (where "s" and "t" are required in the questionnaire) if a middle group is handled differently from both "s" and "t" for salary determination purposes (use m1, m2, etc., if more than one such group exists). If all executive jobs are handled similarly for salary determination purposes, or they are divided into only two groups, please ignore "m."

1. CLASSIFICATION

a. How many employees does your company (including branch offices) have? (Please check)

   Under 100 4; 100 to 500 20; 501 to 1000 9;
   1001 to 5000 17; Over 5000 10.

b. What major lines of insurance does your company sell? (Please check)

   Casualty 36; Fire and Marine 28; Life 27;
   Other (please specify) 0

c. What is the basis of company ownership? (Please check)

   Stock 30; Mutual 27; Other (please specify) 1
Questionnaire, continued

11. JOB EVALUATION

a. Is any formal system of job evaluation used on executive jobs? (Please insert "s" and "t", that is, if you do not have such a system for either, both s and to should be inserted after "no"; if you have such a system for one, then it should be inserted after "yes" and the other after "No", and so forth.)

No t52, s28; Yes t8, s32; if yes --

b. What year was the first system installed? (Please insert "s" and "t")

1931 or before t0, s2; 1932 thru 1936 t0, s0; 1937 thru 1941 t1, s1; 1942 thru 1946 t0, s5; 1947 or later t7, s21.

c. Who developed the system? (Please insert "s" and "t")

Company employees, alone t3, s10; Outside consultant alone t1, s2; Company employees and consultant together t3, s14; Other (Please specify) 0

d. In the system, are the jobs ordinarily -- (Please insert "s" and "t")

\[a \text{ A) compared to each other in their entirety as whole jobs (ranking)} \]
\[t6, s3 \text{ B) compared to a defined job classification or key jobs in their entirety as whole jobs (classification)} \]
\[t2, s6 \text{ C) broken down into characteristics of work factors and compared to degrees of defined factors (point system)} \]
\[t3, s21 \text{ D) broken down into characteristics and compared to those characteristics in other key jobs, using "money points" (factor comparison)} \]
\[t0, s2 \text{ E) Other (Please specify)} \]

\[t0, s0 \]
Questionnaire, continued

b1. Is any formal system of job evaluation used by the company on most technical, clerical, or other non-executive jobs? (Please check)

No 12; Yes 47; If yes --

b2. If you have executive job evaluation, was its development coordinated and tied in with your classification of non-executive jobs? (Please insert "s" and "t")

No t7, s8; Yes t7, s26.

c. If you have formal job evaluation plans for the operative jobs, but not for some or all of the executive jobs, why so? (Please insert "s" and "t")

Handle jobs on same basis t3, s7; Not enough executive jobs to bother with t5, s3; Too difficult to do this on executive jobs t6, s4; Would see no use for doing this on executive jobs t1, s1; Feel executive jobs should be handled less formally t12, s7; Each executive should be treated as an individual, not in a group pattern t23, s13; Other (please specify) ______

d. If no formal system of executive job evaluation is used on some or all executive jobs, on what basis are these executive salaries determined? (Please insert "s" and "t" where applicable)

What it takes to get or keep the man chosen t9, s7; A general evaluation of the man's worth (including education, experience, initiative, character, etc.) t42, s24; A general appraisal of the requirements of the position t30, s17; Other (please specify) ______

e. In establishing executive salaries, are positions usually considered first, independently of the specific occupants? (Please insert "s" and "t")

No t28, s14; Yes t22, s36.

f. If factors or job characteristics are used in executive job evaluation (answers "C" or "D" to question II-a1 above), what factors are used (Please list)? If factors are "weighted," please give the relative weighting. (Please enclose form if convenient.)
Questionnaire, continued

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g. What does the company hope to accomplish with its present method of determining executive salaries? (Please insert "s" and "t" not more than twice each)

Maintain executive morale t27, s31; Secure the proper individual for the job t22, s20; Control salary expenses t13, s19; Lend flexibility under Salary Stabilization Regulations t7, s10; Supply executives an incentive t17, s15; Draw a supply of superior leadership to the top t18, s18; Other (please specify)

h. What are the major difficulties encountered in executive job evaluation? (Please insert "s" and "t" not more than twice each)

Lack of job information t3, s3; Man looked at rather than job t18, s12; Influence of outside offers to incumbents t3, s1; Growth of company t13, s12; Change in emphasis of company management t1, s1; Scope of position varies with incumbent t21, s22; Management too busy to evaluate positions t0, s2; Evaluation specialist hasn't enough appreciation of management jobs t1, s1; Occupant sometimes in training t2, s2; Confusion as to what factors represent worth of job t7, s7; Infrequency of evaluation leads to lack of skill in it t2, s1; Jobs tend to be evaluated on the
Questionnaire, continued

basis of present pay t8, s6; Distortion of executive labor market, either local or national t6, s6; Difficult to plan grades representing increments of equal job worth t8, s8; Other (please specify) ____________________________.

1. Who in your company usually evaluates (not approves) executive jobs? (Please insert "s" and "t")
   Board of Directors t4, s3; President t24, s10;
   Committee t19, s32 (composed of ____________________________);
   Superior of position t1, s5;
   Company specialist t2, s7 (titled ____________________________);
   Consultant t1, s0;
   Other (Please specify) ________________________________________.

J1. Have written policies been developed in connection with executive job evaluation and/or salary determination? (Please insert "s" and "t")
   No t40, s25; Yes t8, s31; if yes --

j2. Who developed them?
   Board of Directors t0, s0; President t3, s3;
   Committee t1, s13, (composed of ____________________________);
   Company specialist t2, s13, (titled ____________________________);
   Consultant t0, s5;
   Other (please specify): ________________________________________.

III. JOB ANALYSIS AND DESCRIPTION

a. Are job descriptions usually written for executive jobs? (Please insert "s" and "t")
   No t40, s23; Yes t12, s32; (if yes, please enclose form if convenient)

b. Does the company have either an organization chart or manual with functional description? (Please check)
   No chart or manual 16; Chart, only 23;
   Manual with functional descriptions, only 5;
   Manual with functional descriptions and chart 11.
   IF THERE ARE EXECUTIVE JOB DESCRIPTIONS - (where this does not apply continue with IV - SALARY ADMINISTRATION)

c. Who actually writes or wrote most executive job descriptions? (Please insert "s" and "t" when applicable)
   Executives themselves (incumbent) t3, s9; Superior of the position t8, s6; Company specialist t8, s11, (titled ____________________________);
   Consultant t1, s2; Other (please specify) ____________________________.
Questionnaire, continued

d. How was the information obtained for most executive job
descriptions? (Please insert "s" and "t" when applicable)

Information already possessed by writer t7, all; Interview with incumbent t7, s19; Interview with superior t4, s13; Questionnaire to incumbent t1, s7; Questionnaire to superior t0, s3; Other (please specify)

e. Who must usually approve the executive job descriptions
after they are written? (Please insert "s" and "t" where applicable)

No one but the writer t0, s1; Executives themselves (incumbent t7, s9; Superior of position t8, s21; Company specialist t2, all, (titled reports to ); Consultant t0, s0; Other (please specify)

f. What uses are actually made of the executive job
descriptions? (Please insert "s" and "t")

Coordination (for use by other executives) t10, s7; Staffing (job specification) t6, s15; Organization planning t5, s11; Develop lines of promotion and transfer t6, s16; Job evaluation t7, s27; Executive training and development t4, s10; Other (please specify)

IV. SALARY ADMINISTRATION

a1. Is any specific group in the company responsible for
the administration of an executive salary program
(see a2 for example of functions)? (Please check)

No 11; Yes 49; (titled reports to )

if yes --

a2. What functions are performed by it? (Please check)

Executive salary control reports issued 13 ; Notification when individual salary reviews are necessary 2; Compilation of reports for the Salary Stabilization Board 15; Review proposed salary or raise for conformity with program 33; Send out merit rating forms 14; Other (please specify)
b. Is there a salary range or limitation on most individual executive jobs? (Please insert "s" and "t")

No limitation t14, s33; Salary range (both minimum and maximum) t14, s33; Maximum only t5, s5; Minimum only to, s0; Only one salary permissible to, s0.

c. If the salary range established on most executive jobs is standard or uniform, what is the percentage range (maximum above minimum)? (Please insert "s" and "t")

Less than 20% to, s1; 20% thru 29% to, s2; 30% thru
39% t3, s10; 40% thru 49% t2, s6; 50% or over t11, s11.

d. If the job is first evaluated independently of the incumbent, on what basis does the incumbent receive a particular salary within the salary range? (Please insert "s" and "t")

Merit t18, s36; Seniority t6, s11; Other (please specify)

e. Are executive jobs grouped into salary grades, so that several jobs can be handled the same for salary control purposes? (Please insert "s" and "t")

No t23, s18; Yes t15, s31; if yes --

f. What is the progression from one executive salary grade to the next (minimum for one to minimum for the next grade higher)? (Please insert "s" and "t")

Less than 10% to, s4; 10% thru 19% t1, s14; 20% thru
29% t2, s1; 30% thru 39% t1, s1; 40% or more t1, s1;
No standard progression t5, s7.

f. If there are salary grades in both the supervisory jobs and in the non-executive or operative jobs, what is the progression from the highest operative grade to the lowest supervisory grade (minimum salary of the former grade to minimum salary of the latter grade)?

Less than 0% (supervisory grade is lower) 7;
0% thru 9% 1; 10% thru 19% 8; 20% thru 29% 1;
30% thru 39% 0; 40% or more 2.
Questionnaire, continued

8. If there is a difference between any of the executive salary grade progressions and the non-executive or operative salary grade progression, why the difference? (Please insert "s" and "t")

Systems developed by different individuals t3, s3; Different degree of incentive needed t6, s7; Other (please specify)

h. How frequently (on the average) have raises (not promotions) actually been given to executives (before Salary Stabilization Regulations)? Please insert "s" & "t".

At least every year t38, s44; Thru the second year t10, s8; Thru the third year t3, s1; Thru the fourth year t0, s0; Less frequently than every four years t1, s0.

i. How large, on the average, have been the raises (not position promotions) given to executives (before Salary Stabilization Regulations)? Please insert "s" and "t"

Less than 5% t3, s3; 5% thru 9% t29, s36; 10% thru 14% t19, s12; 15% thru 19% t0, s0; 20% or more t2, s1

j1. Is there a formal merit rating of executives? Please insert "s" and "t"

No t49, s35; Yes t2, s20; If yes --

j2. Please list the factors on which the executive is merit rated. (Please enclose form if convenient)

s m t (Please check) Factors

__________________________
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k. If some executives are not merit rated, and others or operatives are, why the difference (Please explain)?
Questionnaire, continued

1. Have the Salary Stabilization Regulations had any effect on your company's executive salary program? (Please insert "s" and "t")
   
   No t22, a24; Yes t27, a26; if yes --

11. What effect has it had (Please check those which apply)?
   
   Introduced formalized program t3, a3; Added to formalized program t3, a3; Reduced frequency of raises given t10, a8; Reduced size of raises given t17, a17; Other (please specify) _______________

V. If there is a difference in the handling of salary determination for various service levels of executives --
   
   no difference

   a. Up to what executive level are the jobs handled the same as the first line supervisory ("s") jobs?
      
      Representative job title _____________________________
      Salary __________________

   b. Down to what level from the top executive ("t") jobs are the jobs handled the same as the top executive jobs?
      
      Representative job title _____________________________
      Salary __________________

   c. If a middle management group ("m") exists (handled differently from both "s" and "t" for salary determination purposes) what range does this represent?
      
      Title __________________ up to title ________________
      Salary __________________ up to salary ________________

VI. YOUR INTEREST
   
   a. Would you like to receive a copy of the results of this questionnaire?
      
      Yes __________

   b. Would you be willing to grant me a brief interview?
      
      Yes __________

Name ____________________________
Company _________________________
Address _________________________

E. H. Bowman
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AUTOBIOGRAPHY

I, Edward Harry Bowman, was born in Watertown, Massachusetts, September 30, 1925. I received my secondary school education in the public schools of Upper Darby, Pennsylvania. My undergraduate training was obtained at Massachusetts Institute of Technology, from which I received the degree Bachelor of Science in Business and Engineering Administration in 1947. From the Wharton School of Finance and Commerce, University of Pennsylvania, I received the degree Master of Business Administration with distinction in 1949. While completing the requirements for the degree of Doctor of Philosophy at the Ohio State University, I taught there as an Assistant, Assistant Instructor, and Instructor in the Department of Business Organization from 1949 to 1952. Following this, while completing work on the dissertation, I was an Instructor in the School of Industrial Management, Massachusetts Institute of Technology, from 1952 to 1954, at which time I was appointed Assistant Professor.