

Compensable factors: Everything you need to know

Author: Fadzai Danha . November 2021

A job evaluation strategy is a tool that assists companies in determining the internal value of a position so that the proper wage level may be assigned. The [job evaluation](#) plan specifies the compensable elements that will be utilized to determine the relative importance of positions within an organization. By evaluating benchmark data, job relativity may be aligned with the external worth of the identical jobs. The criteria used to determine how much a corporation is willing to reward a certain job holder are known as compensable factors. Their selection and weighting are essential aspects of determining how much a job is worth (Plachy,1986).

Major Compensable Factors

The most prevalent way to job evaluation is the point factor method. This technique outlines four major compensable factors. These elements are as follows ([The United States Equal Pay Act of 1963](#)):

1. Capabilities (years of experience, level of education, and overall ability)
2. Responsibilities (number of direct reports, fiscal accountability, and the list of responsibilities of the position itself),
3. Mental and physical exertion (degree and amount of concentration, level, and frequency of physical effort)
4. Workplace conditions (overall environmental factors such as location, hazards, and any extreme factors)

Other factors, according to an HR Daily Advisor article titled "[10 Critical Compensable Factors in Job Descriptions](#)", include:

1. Supervision received. How thoroughly does the incumbent's immediate supervisor or manager scrutinize their work? Is the supervisor or manager specific about methods or work procedures?
2. Supervision given. How many people does the incumbent directly and indirectly supervise? What authority do they have over policy choices, prices, or work methods?
3. Consequences of error. What is the most likely monetary loss if the incumbent makes a mistake? How frequently does the potential of failure or error arise?
4. Confidentiality of data. To what degree is the incumbent in charge of sensitive information? What are the ramifications of improper disclosure? To what extent are honesty and discretion

valued?

Selecting Compensable Factors

When [selecting compensable criteria](#), both employees and management should be involved in the job evaluation process so that there is support and buy-in. Compensable factors should have the following characteristics to be effective in job comparisons.

- They must be present in all occupations.
- They must be defined and quantifiable.
- The factor must differ across the organization. A component found in equal levels in all occupations would not be useful as a comparison point.
- They must be visible. Employees' job-related contributions might be conceived of as compensable factors.

[Compensable factors](#) are simply the criteria used to evaluate a job and on which the employee's salary/wages are calculated. They are often identified and specified following the organization's goals and objectives. When building a work hierarchy to define a salary structure, these elements are utilized to establish job value.

Benefits of compensable factors

The benefits are as follows:

1. It removes uncertainty from the evaluation process.
2. It makes the requirements apparent to the candidates.
3. Each component is given a certain weightage in the selecting procedure.
4. It may be used for a variety of jobs.
5. The worth of a job is stated in monetary terms.
6. It is also easily applicable to newly established occupations.

Drawbacks of compensable factors

The following are its drawbacks:

1. If the candidate is not chosen despite meeting all of the criteria, they may dispute the authority.
2. Increases the firm's responsibility.
3. The criteria for determining salary may have resulted in prejudices that affect a certain group of employees.

Methods for calculating compensable factors

The [Economic Research Institute](#) also gives three standard methods for determining relevant compensable elements.

1. Plans for standard job evaluation

Many organizations use standard job assessment plans, which means that the variables upon which they are based are preset. Most organizations that do this adapt current strategies to suit their own needs. Most existing plans' elements tend to fit into the four basic groups indicated before. These elements are utilized in a variety of job evaluation plans.

2. Group Process Method

Companies might create their own set of criteria using a group process technique. This method entails assembling a group of knowledgeable persons who are well-versed in the occupations being examined. These persons are asked to evaluate the job descriptions of a chosen set of critical positions and to outline all of the work traits, criteria, and circumstances that, in their opinion, should be included in the job evaluation. The group must next develop job qualities, which are ultimately assigned to a certain categorization.

3. Statistical methods

Statistical approaches can be used to identify compensable factors. Statistical tools may be used to confirm that the proposed variables are both connected and relevant to the work and are legally justifiable. However, it is vital to highlight that some statistically determined criteria may not apply to employees' occupations. While the statistical technique can accurately examine the components that appraise the occupations, such assessments may not be financially or technically feasible for many organizations.

Compensable variables can provide an outsider with insight into what a corporation values and is

prepared to pay for. As a result, it is critical to give them great thought to communicate the correct message.

Fadzai Danha is a consultant at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm. Phone +263 242 481946-48/481950 or email: fadzai@ipcconsultants.com or visit our website at www.ipcconsultants.com

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