Viewpoints

Q & A

Understanding how the Future of Work is transforming job leveling

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The nature of work is changing, and the concept of the traditional job is changing with it. Automation and new ways of getting work done along with new skill requirements are continuing to have a huge impact. In addition, employee work and career expectations are evolving, placing new demands on employers. Taken together, this means that organizations need to create a more agile work environment to support the ongoing transformation and to think about how job leveling is changing.

Job leveling is one of the most fundamental processes underpinning many people management frameworks such as pay, benefits and career paths. It is made possible by job evaluation, and despite many predictions over the years that job evaluation is dying, it is not only alive and well but continues to serve as the process to determine the "value" of jobs and provide the foundation for many reward and talent management programs.

As well as helping address the attraction, engagement and retention of talent, job leveling can provide vital support for managing costs, risk and organizational effectiveness as well as providing a foundation for corporate governance. In a recent roundtable discussion, a group of Willis Towers Watson experts explored whether existing leveling methodologies need to be modified to respond to the evolving world of work.

Q Humphrey: **As our concept of work is changing, do we similarly need to change the way that we approach job leveling?**

A Jesuthasan: There appear to be several primary drivers that are causing organizations to question their job evaluation and leveling approaches. First is the growing interest in agile working to increase speed while reducing fixed costs and bureaucracy. This is causing organizations to question existing hierarchies, which are predicated on the need to coordinate work in organized structures with an emphasis on technical expertise and traditional supervision.

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Second is the proliferation of automation. This reduces our ability to compare similar jobs as automation plays out differently across various organizations. Jobs are less homogenous than ever before, making the comparison of "like for like" almost impossible. Third, organizations are questioning the need to have their talent experience grounded in the notion of a person in a position at a specific work level, with all aspects of reward and talent management aligned to this construct, versus a skills-based architecture that more effectively matches talent to work.

The shift is from a legacy of a one-to-one relationship between a person and a job, to a many-to-many relationship between skills and the myriad of different ways in which work is increasingly done and rewarded. Think projects, the gig economy and work as being made up of assignments rather than a single, unitary task. This is at the heart of what it means to be in an agile enterprise.

A Pempelfort: This agility has started becoming an imperative for many organizations across a range of industries. Its meaning ranges from the introduction of selected methods and ways of working in pilot areas to large-scale reorganizations. Agility largely happens in the white space between broadly defined roles and the way they interact, and it is about networks of autonomous value-creating teams in flat hierarchies, a shared purpose, customer-centricity, flexible resource allocation and continuous learning.

As agile organizations place increasing emphasis on self-organization, employee ownership, flexibility and transparency, the demands on job leveling and on the idea of job architecture change. The optimum structure needs to be intuitive, transparent, human-centric, end-user friendly and as simple as possible to help cross-unit communication and collaboration.

We see a trend toward more broadly defined roles than detailed jobs, and this is more easily achieved with a maximum of six to eight distinct contribution levels or levels of work rather than an excess of 20 grades. For senior executives, there might just be one to two levels at the top of the organization, with some leading companies moving to have a single level for executives/senior management.

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Q Humphrey: What might the impact of this agility be on traditional leveling methods?

A Hathaway: Many job evaluation systems and leveling structures are underpinned by a traditional view of hierarchy and the traditional view of accountability and reporting relationships that go with it. In an agile environment these reporting relationships become much less important when assessing a job.

This is allied to the fact that people, particularly newer generations entering the workplace, have different expectations about work. They have very different views about hierarchies and will want a more personal experience and to be treated as an individual, not as a job or a function. They want to be valued for the skills and experiences they have and want their career opportunities to be beyond traditional career paths to reflect not only their preferences but also the skills and experiences that they have gained along the way. Traditional job evaluation methods may not reflect this view of what progression means.

A Wonders: The work content changes too quickly for the idea of a job as shorthand for a specific set of tasks requiring a specific set of skills to remain a workable construct. Skills and competencies are the new way to measure them, but what is the objective yardstick for measuring those skills and competencies? Maybe we need to start thinking about measuring and evaluating the tasks rather than the solid, existing construct of a job, which is increasingly becoming a fluid concept instead of a fixed reference point.

In 2018, Willis Towers Watson conducted research with organizations that had recently adopted an agile work model to better understand the potential implications of changes made to compensation and talent management programs. The Willis Towers Watson Agile Work Model Study showed that organizations still use "traditional" leveling methodologies, and none have made changes to the number of levels within their career framework in response to the adoption of agile work methods.

Q Humphrey: Will this reevaluation of job leveling create some new challenges for organizations and for the different areas within them?

A Hathaway: Work and jobs are evolving at an unprecedented rate, which is creating pressure, particularly on HR functions, to keep pace. Traditional job evaluation takes time and resources, and increasing demands for reevaluation may create resource challenges. Many of my clients are questioning the return on this investment and are looking for more agile ways of managing their job-leveling processes.

This issue is particularly acute in organizations with very narrow grades and where a small change in the job could result in a change in the grade and placement of the job in the leveling framework. This is a key reason why organizations are moving away from granular frameworks with many grades. A structure with fewer, broader levels is more sustainable in today's world.

A Humphrey: This change to fewer, broader levels and the shift in focus from traditional work to skills and competencies will create some challenges for organizations. They will need to consider how they will understand and document skills, as well as determine if the appropriate external market data exist to value these skills. In addition, as jobs and the leveling construct become more dynamic, there are the administration considerations as to how and where skills and capabilities will be tracked at the individual employee level.

As organizations think about this evolution from a career management perspective, there will need to be modified approaches to defining movement and progress through the broader levels. Where the job architecture and leveling methodologies are used to establish and defend comparable work from a compliance/pay equity perspective, organizations will want to confirm that changes still provide the same level of rigor to support these analyses. Transparency is key to the effectiveness of reward and talent programs, so the design, delivery and communications will be an important part of the change management process.

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A Jesuthasan: At the heart of this change is the need for organizations to think about how they balance a traditional job-based talent and reward ecosystem with a more agile construct that is driven by skills. This is not a simple shift, as it calls for the reversal of almost 150 years of HR practice. Our recent report with the World Economic Forum looks at just this subject.

In the Agile Work Model Study, organizations reported that HR must adapt to the agile model and play a different role. As agility requires matching talent to project requirements, the function must act as a "talent broker" across functions, building strong cross-functional teams, and safeguarding consensus-based processes.

Q Humphrey: Could this complexity mean that job leveling as we know and experience it is no longer possible?

A Francesconi: It's hard to imagine a world where we don't have any levels at all, because a leveling framework serves as the foundation for so many employee programs. It's probable that we will need to have some type of leveling system, but I think that levels will become broader in order to provide more flexibility and movement. The way I can see it working is to create a task or skills portfolio, so that you're evaluated based on the skills you have, and that would create your value within the organization while allowing your employer to make external comparisons to the market.

All respondents from the previously mentioned study reported a strong propensity to use a knowledge architecture to keep track of employees' knowledge and technical skills.

Differentiated benchmarking data is a prerequisite to avoid overpaying, and salary surveys also need to evolve to provide more specific data on skills.

Q Humphrey: If the compensable factors we have relied on are no longer valid, what are those measurements of value that would be recognized, and which would be helpful now?

A Wonders: We are creating new combinations of work, talent and skills, so as mentioned earlier, the idea of talking about a job as a convenient shorthand for a specific set of tasks requiring a specific set of competencies and skills is under pressure. Skills and competencies are fast becoming the new way to take effective measurements.

This creates a separate question around what an effective, objective yardstick to measure those skills and competencies is going to be. Maybe you consider the output factor, the value that is created by a certain combination of skills, competencies and knowledge, but that also needs to be measured against what the company needs.

A Hathaway: We are working with some of our clients to create "Work Architecture Frameworks," which are an evolution from job architecture and which use a simplified way of being able to understand the nature of the work that is being done and placing it into some broad, useful categories that are less about a hierarchy but more about the nature and level of the work that is being done.

There might be an overlay that gives you more specificity about the person and their skills, which allows you to reflect on the individual and what he or she contributes. So, it's kind of a combination of a broad work categorization with an understanding of skills sitting on top. This means that you might end up with something that at its face value is a very simple leveling framework but with a more flexible and perhaps more complex pay structure, enabling you to take into account very different skills and market values.

A Pempelfort: Balancing internal and external equity has always been an art rather than a science, and with increasing transparency, we need to have a very clear case for pay differentiation. One of the differentiators is the market price for certain roles or skills. Premiums for "hot skills" that attract allowances are one option; however, differentiated benchmarking data are a prerequisite to avoid overpaying, and salary surveys also need to evolve to provide more specific data on skills. And again, we might see managers or teams deciding to invest a skill budget on certain hot skills required to get a job done in addition to a baseline pay. And as agility is customer-centric, I expect we are going to see companies starting to co-create pay with their internal and external workers.

Q Humphrey: How would we need to evolve concepts such as pay and career management in the organization if there were fewer or no levels, accommodating expectations while rewarding promotions in a flatter, loosely defined flexible format?

A Wonders: What changes here is what growth means. Recognizing progression used to be very, very directly linked to vertical growth, which immediately resulted in financial growth, which immediately was reflected in the change in job title and the way that the job title showed, externally, to everyone else how well you are doing. If you were the VP, you were outwardly doing better than a senior manager.

I don't think that will move away completely. But there seems to be more of a multidirectional growth, where what needs to be recognized is additional experience and the purpose that the individual is looking for in a role. It is increasingly important that the company and the work seem meaningful to prospective employees, but even then there still need to be similarly meaningful financial rewards.

What will change is the yardstick by which we measure promotion when the world of jobs and work is continually developing. The way I see this is that this changed world of work is like an online game where you choose a character, you play, you complete certain challenges and sometimes you redo them. But by practicing and playing more often, you can achieve higher levels.

The higher level doesn't necessarily mean that you have a different character, and while you might develop different attributes, you do not become a different character either. So when it comes to the job, you're not a different grade or title, but you do get some new challenges, which are more difficult than the previous ones, and that process should be recognized in some way.

And then finally, there is social recognition. I still believe that there is a little bit of status that people like to share. They want to show where they live, what they've done, what they have accomplished. I mean, look at what people post on social networking sites. If they eat somewhere other than a fast food restaurant, they put it on Instagram. Perhaps there needs to be an element of social recognition in whatever we decide is the new way of doing things.

Q **Humphrey: As leveling is redefined, is there a need to re-educate people that promotions don't have to be vertical?**

A **Hathaway:** Assuming that we retain some of the leveling framework, I already know that there are some organizations, particularly those in the tech sector, that view someone moving from one role to another in the same level as a promotion. If someone has developed skills because they've done a particular role within that organization and they move areas, there's huge value in their experience and in their skills as they transfer to the new role, and the organization should be willing to pay for it.

A **Humphrey:** As job leveling is evolving so are employee expectations on pace of advancement, value of job titles, pay/worth, career development and promotion opportunities. Organizations have an opportunity to define progression more broadly to shift the focus from vertical growth (and title changes) to skill enhancement within a broader level of work.

A **Jesuthasan:** The shift here is a significant one. From traditional structures that move people vertically or laterally based on predefined principles that were designed to govern all talent we are moving to a series of individually driven experiences that continually enhance one's skills profile and ability to contribute to the organization.

There is no, single, easy answer to any of the concerns about job leveling, but there must be a way to help organizations articulate what its rewards look like and how they might recognize continued career growth and retention in their organization. What gives this extra urgency is that in certain industries people leave over their job title, not their pay, and that these changes are only speeding up and getting more pressing. The time to address job leveling, and the changes that are happening to our jobs, is now.

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