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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

14-3-2008, Vilnius

International Position Evaluation System (IPE)- the 'battle tested' methodology to achieve successful human resources practicies

Johan Ericsson, Stockholm

Agenda

- Why work with position evaluation and with International Position Evaluation (IPE)?
- Benefits and outcomes from IPE
- Some examples
- E-IPE – Mercer's web-based position evaluation tool
- Q&A

Why Position Evaluation ?

- Systematic and easy process for identification of differences between positions all over the organization (*objectivity*).
- The IPE system is an analytical points system which includes 10 factors (*common terminology*).
- Resulting in a Position Class expressing the relative value of a position for the Organization (*appreciation*).
- The IPE system is used for internal and external comparisons (*equity*).
- The Methodology is advanced, but easy to apply and understand (*easily communicated*).

IPE is a Work Value Measurement methodology

- Work Measurement is a process by which an organization describes, measures, and values differences in work.
- It enables them to:
  - Maintain competitive compensation
  - Pay people fairly, relative to other employees
  - Pay people in line with the value they bring to the organization
  - Assess the effectiveness of organizational structures
  - Assess the appropriateness of the job/person fit
  - Align individual goals with the organization's objectives
  - Create effective employee development and succession planning processes

3 PConcept

POSITION

Base Salary
(*local reference*)

Based on
Position Evaluation

PERSON

Individual

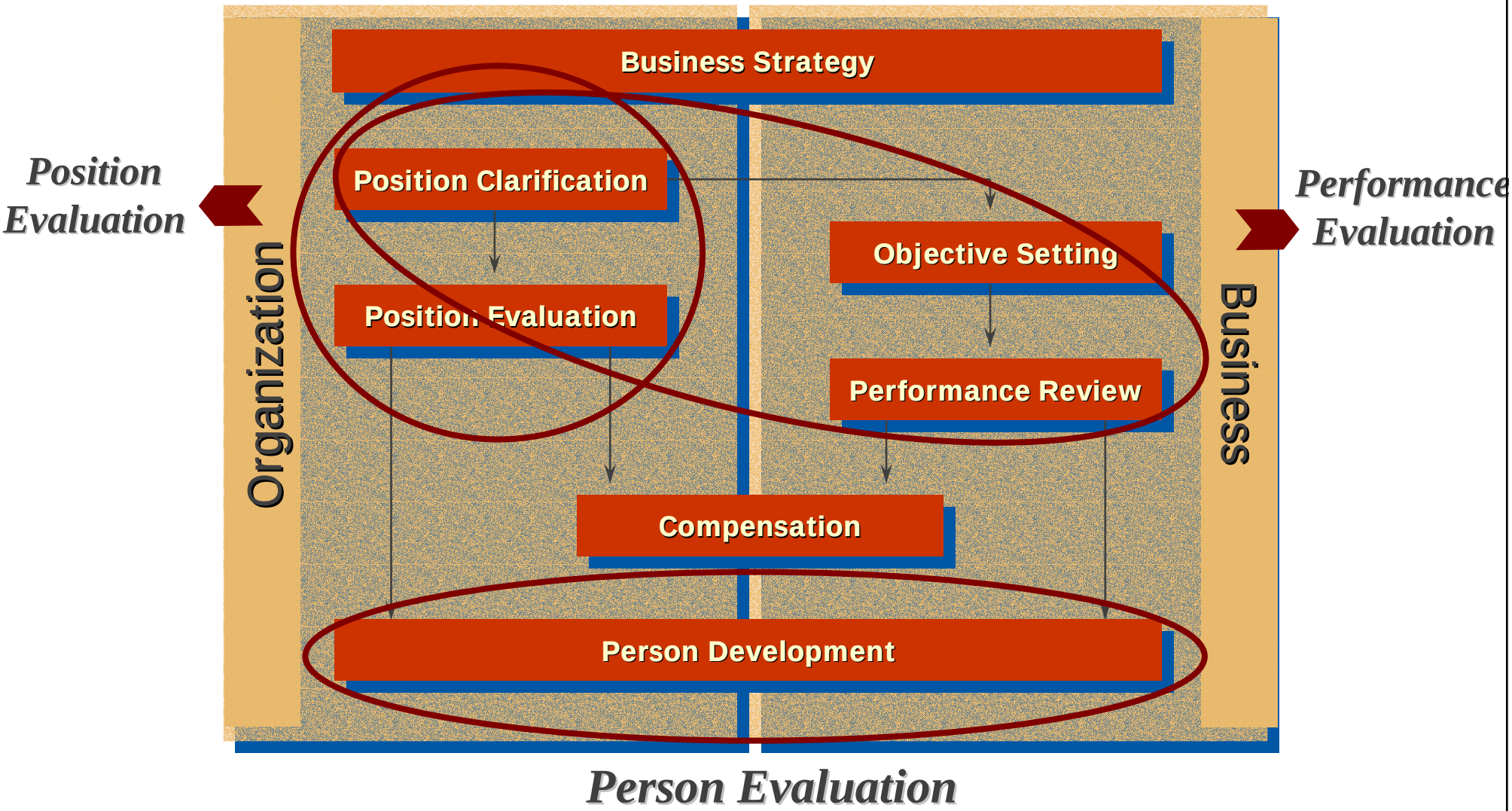
Based on Competencies,
Market etc.

PERFORMANCE

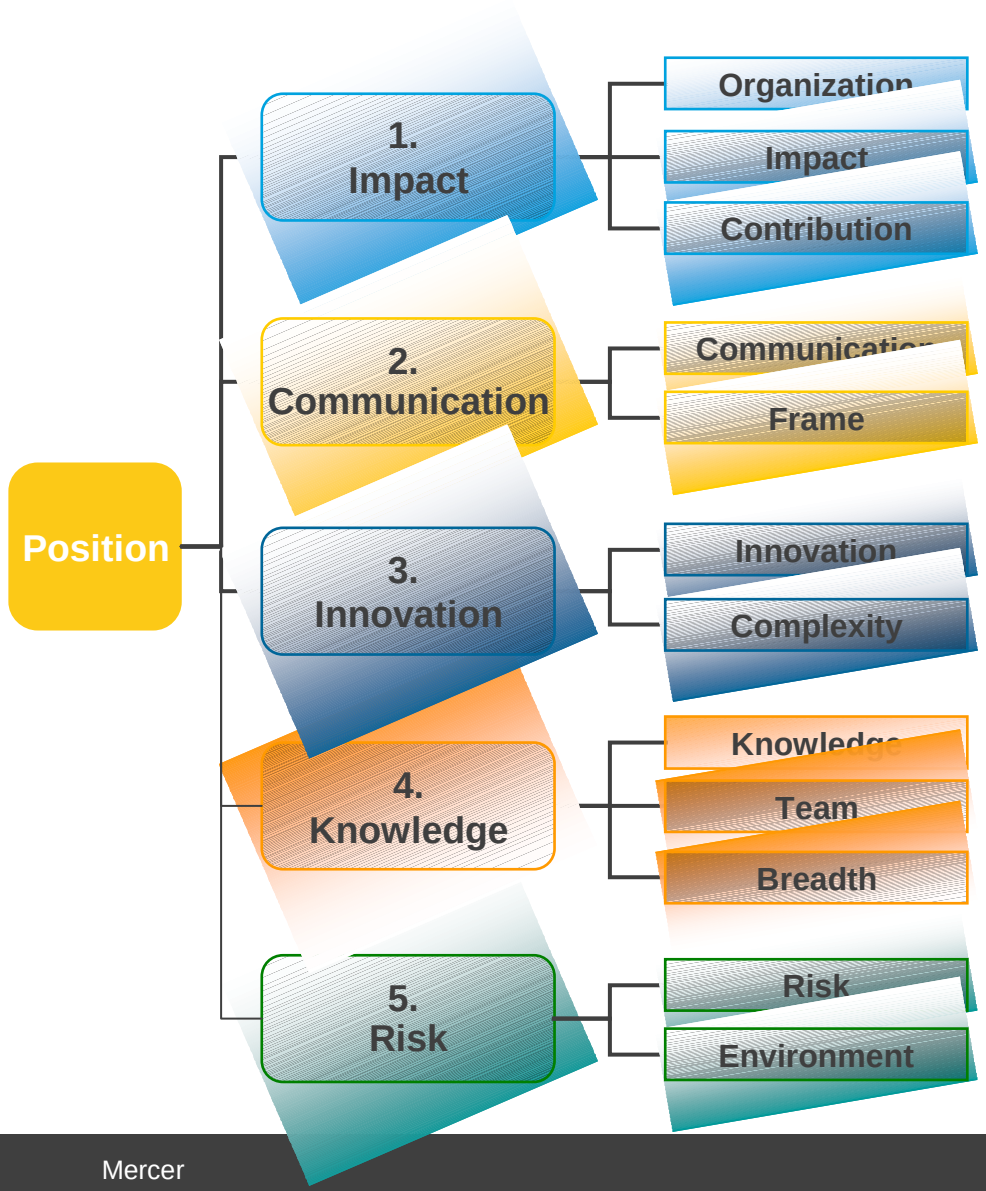
Incentives
(Short & Long Term)

Based on
Performance Evaluation

Integrated Human Resources Management toolbox



The Five Factors



- Organization size is based on a monetary scale such as sales and assets, range of activity and number of employees
- Assess nature of impact a position has on the organization
- Assess relative contribution that a position holder makes in the context of Impact

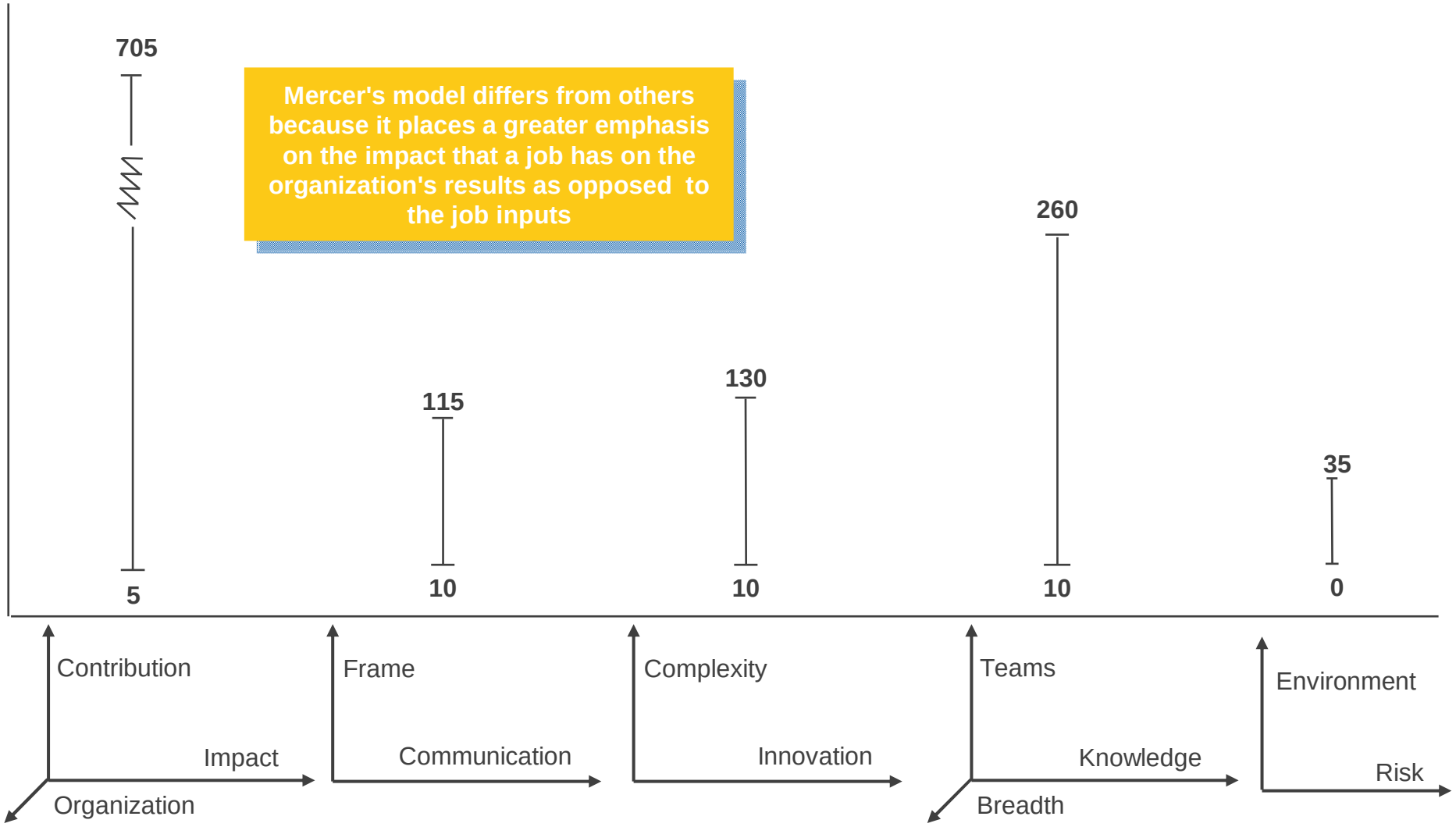
- Assess the nature of required communication ability
- Determine both organization frame and nature of interests of communication contacts

- Assess requirements to identify, make improvements to, or develop procedures, services or products
- Assess level of complexity a position holder deals with

- Measure the nature of knowledge required to accomplish objectives and create value
- Assess how the knowledge is applied in teams
- Assess the geographic context in which knowledge is applied

- Assess exposure to risk of mental or physical injury in the job; no points given if work conditions meet international standards
- Assess level of exposure from the working environment

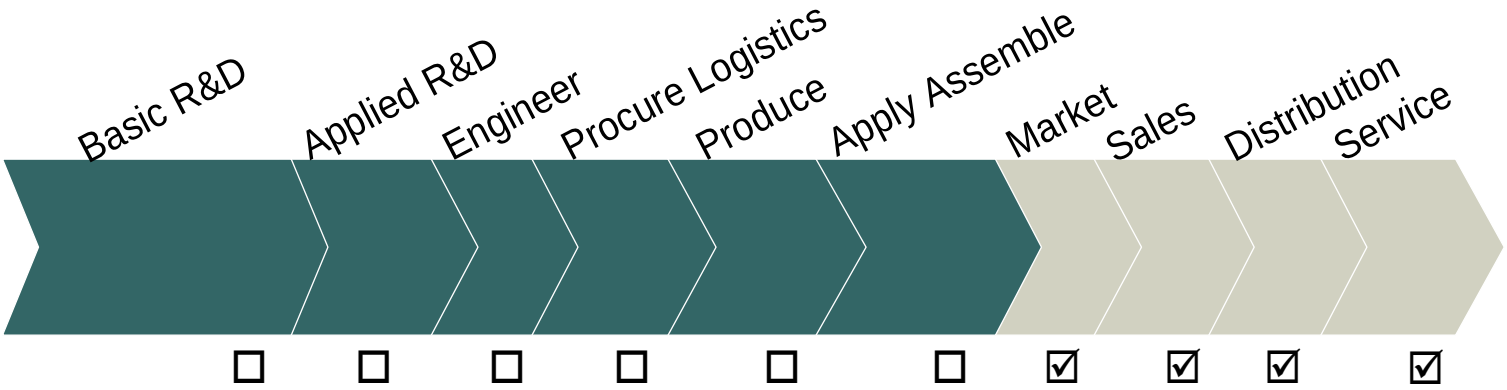
Mercer’s approach can be differentiated from others



Mercer's model differs from others because it places a greater emphasis on the impact that a job has on the organization's results as opposed to the job inputs

Sophisticated sizing methodology grounded in economic analysis

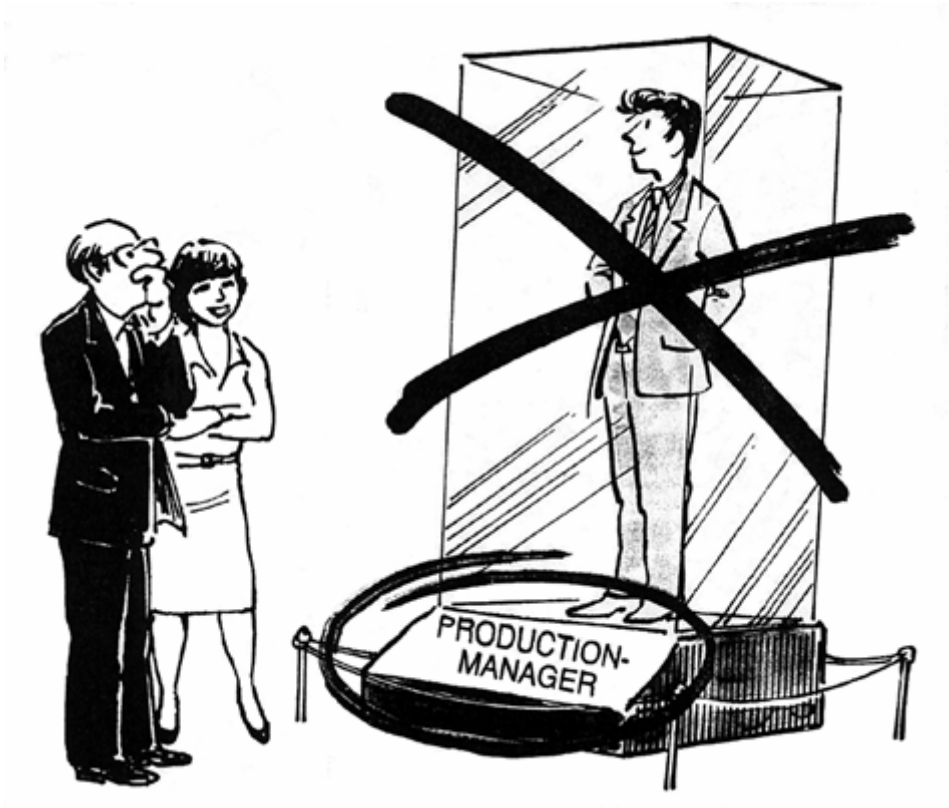
Nature of Organization



Economic Volume

Total Number of Staff

Position Evaluation should focus on the Position- not on the Person



What are we evaluating?

Position requirements based on a current and accurate understanding of roles and responsibilities

It is not an individual judgment of performance or how well the tasks are done

Some examples of global clients working with Mercer & IPE

The benefits of Mercer's IPE System

The major IPE applications

IPE results

- A clear ranking of positions that is internally consistent
- A first analysis of the organisational effectiveness
- A global comparison of relations between positions
- A starting point to establish position / competency profiles
- A database to support career planning and succession
- An objective reference to solve title issues
- A reliable base for an equitable salary structure
- A tool that facilitates market benchmarking (cost control)

Application in Human Resources Management

- Remuneration management
- Organisational analysis
- Recruitment
- Promotion and succession planning
- HR information
- HR controlling
- HR audits

48 Position Classes
From points to an IPE Class

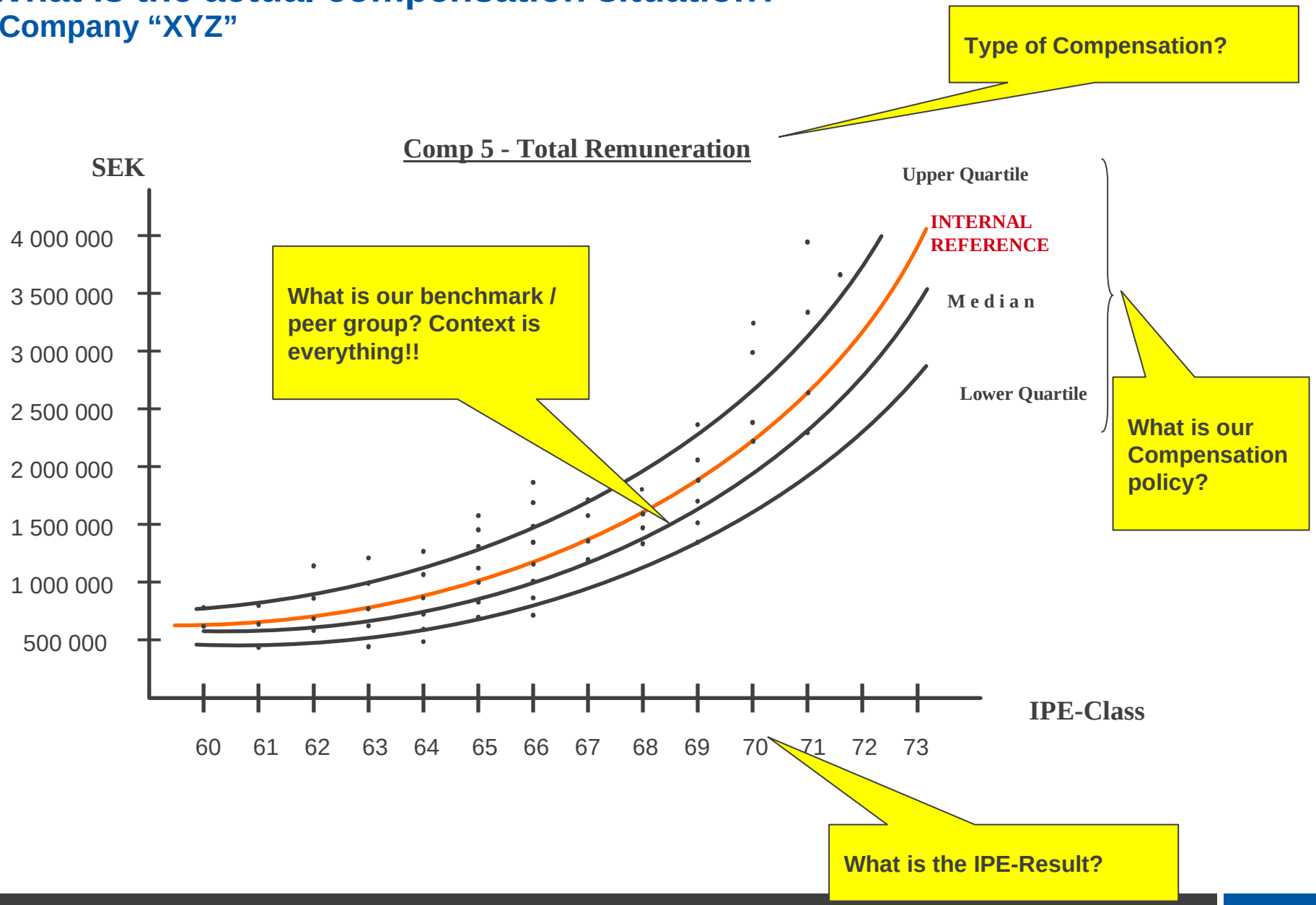
Points	IPE Class
26 - 50	40
51 - 75	41
76 - 100	42
101 - 125	43
126 - 150	44
151 - 175	45
176 - 200	46
201 - 225	47
226 - 250	48
251 - 275	49
276 - 300	50
301 - 325	51
326 - 350	52
351 - 375	53
376 - 400	**54**
401 - 425	55

Points	IPE Class
426 - 450	56
451 - 475	57
476 - 500	58
501 - 525	59
526 - 550	60
551 - 575	61
576 - 600	62
601 - 625	63
626 - 650	64
651 - 675	65
676 - 700	66
701 - 725	67
726 - 750	68
751 - 775	69
776 - 800	70
801 - 825	71

Points	IPE Class
826 - 850	72
851 - 875	73
876 - 900	74
901 - 925	75
[illegible]	[illegible]
9[illegible]	[illegible]
9[illegible]	[illegible]
10[illegible]	[illegible]
1026 - 1050	80
1051 - 1075	81
1076 - 1100	82
1101 - 1125	83
1126 - 1150	84
1151 - 1175	85
1176 - 1200	86
1201 - 1225	87

The IPE Class is the "common currency" which binds together compensation surveys in more than 70 countries.

What is the actual compensation situation?
-Company "XYZ"



Mercer Total Remuneration Surveys (TRS)

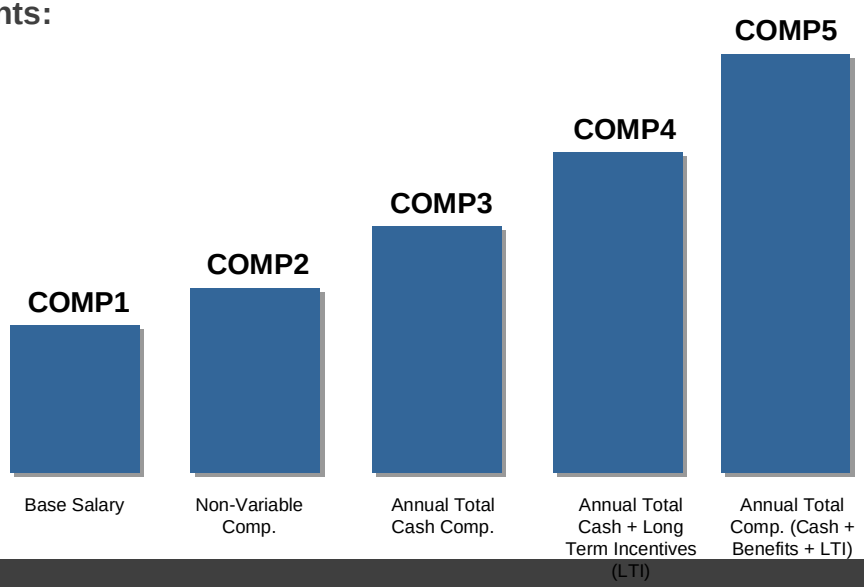
Mercer's TRS surveys includes up to 400 benchmark positions, from senior management to clerical, in the following functions:

- Administration
- Engineering
- Finance
- General Management
- Human Resources
- Information Technology
- Logistics and Purchasing
- Manufacturing
- Marketing
- Research and Development
- Sales

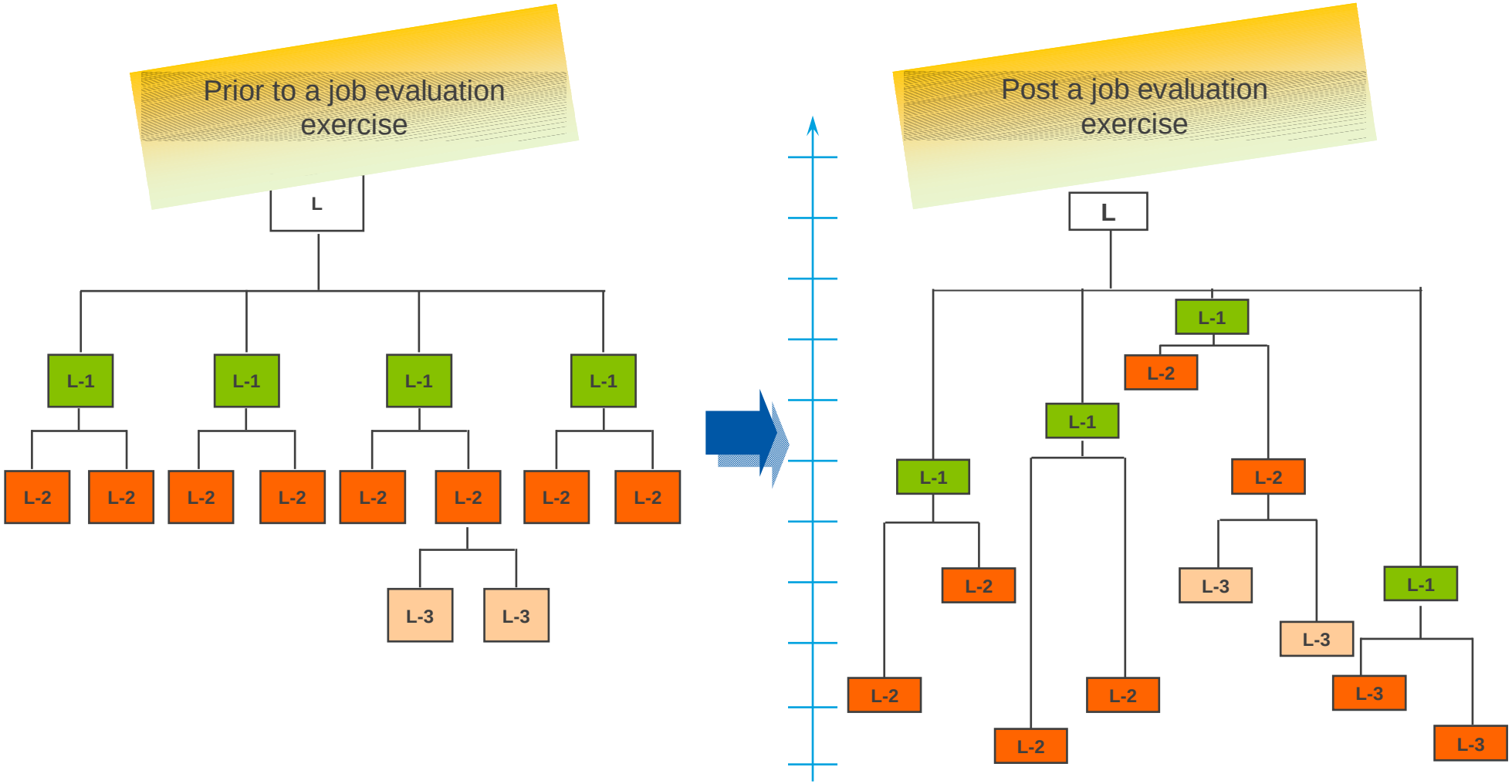
Industry-specific jobs, such as manufacturing, pharmaceutical, auto, consumer goods and more are available in many countries.

The TRS includes the following components:

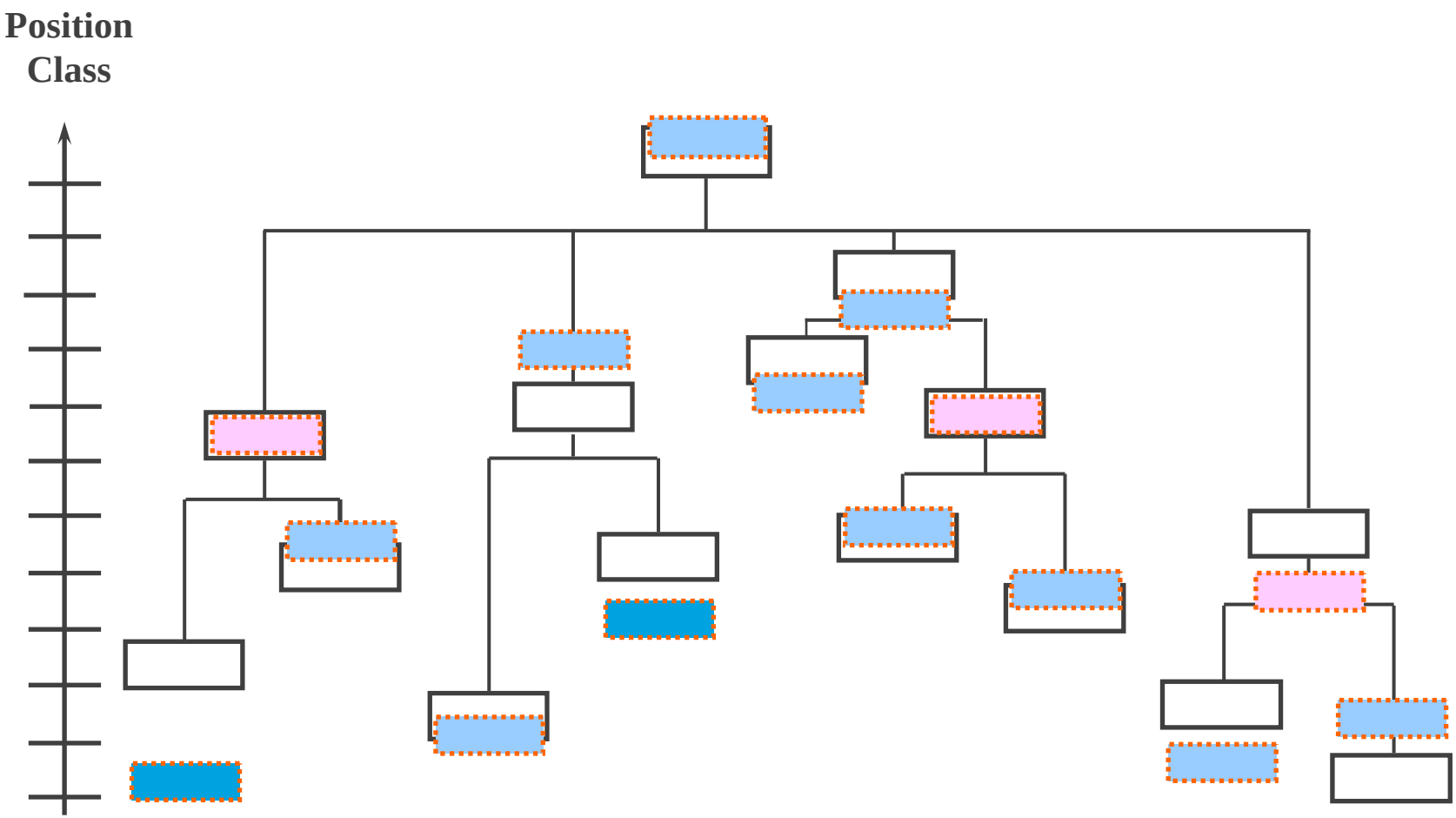
Code	Description
COMP1	**Annual Base Salary** (monthly base salary times no. of months guaranteed)
COMP2	**Annual Guaranteed Cash Compensation** (COMP1 plus other guaranteed or legally required cash payments)
COMP3	**Annual Total Cash Compensation** (COMP2 plus short-term incentives)
COMP4	**Annual Total Compensation** (COMP3 plus value of long-term incentive programs)
COMP5	**Annual Total Remuneration** (COMP4 plus value of the most important benefits and perquisites)



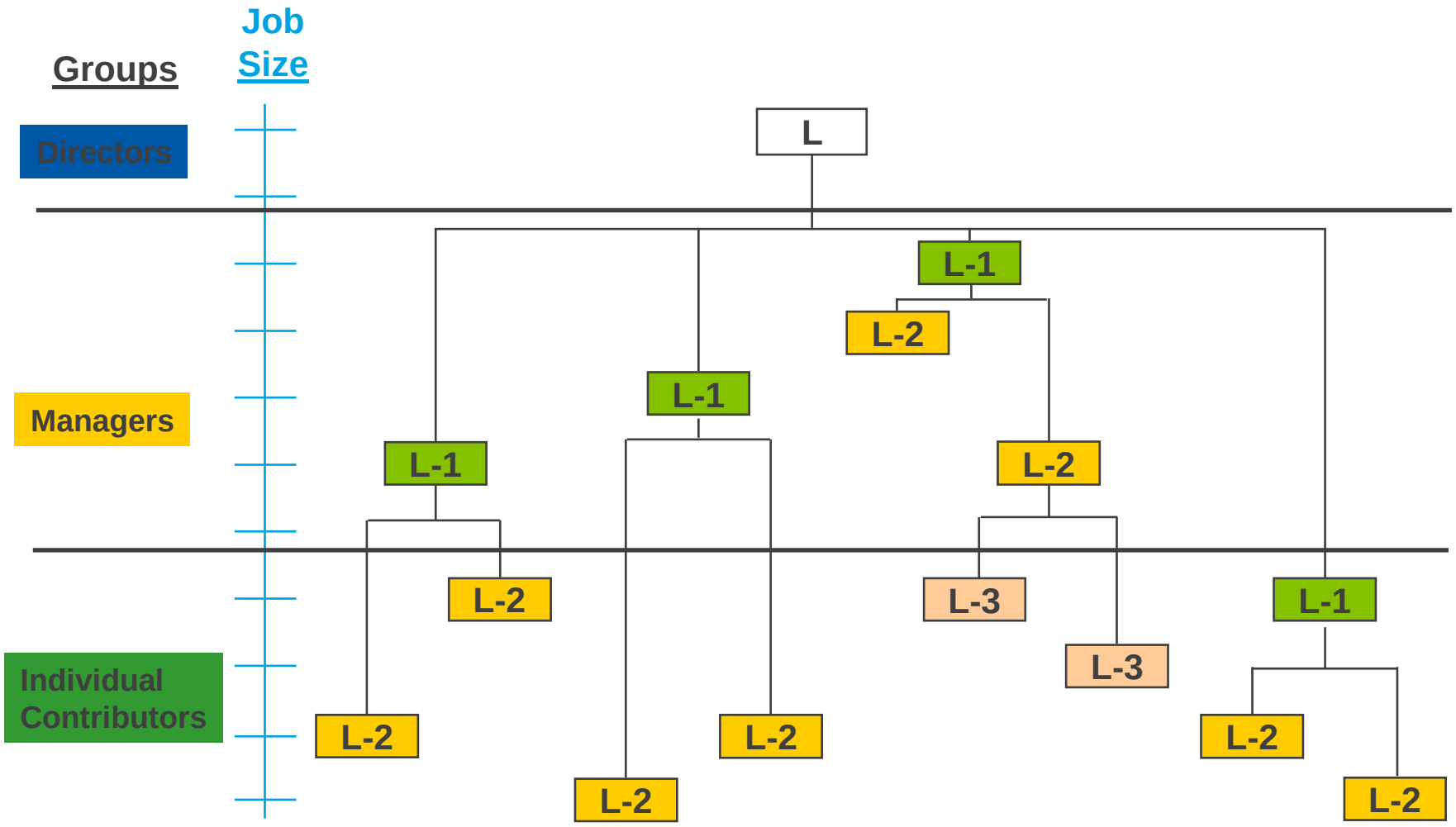
Clear Ranking of Positions



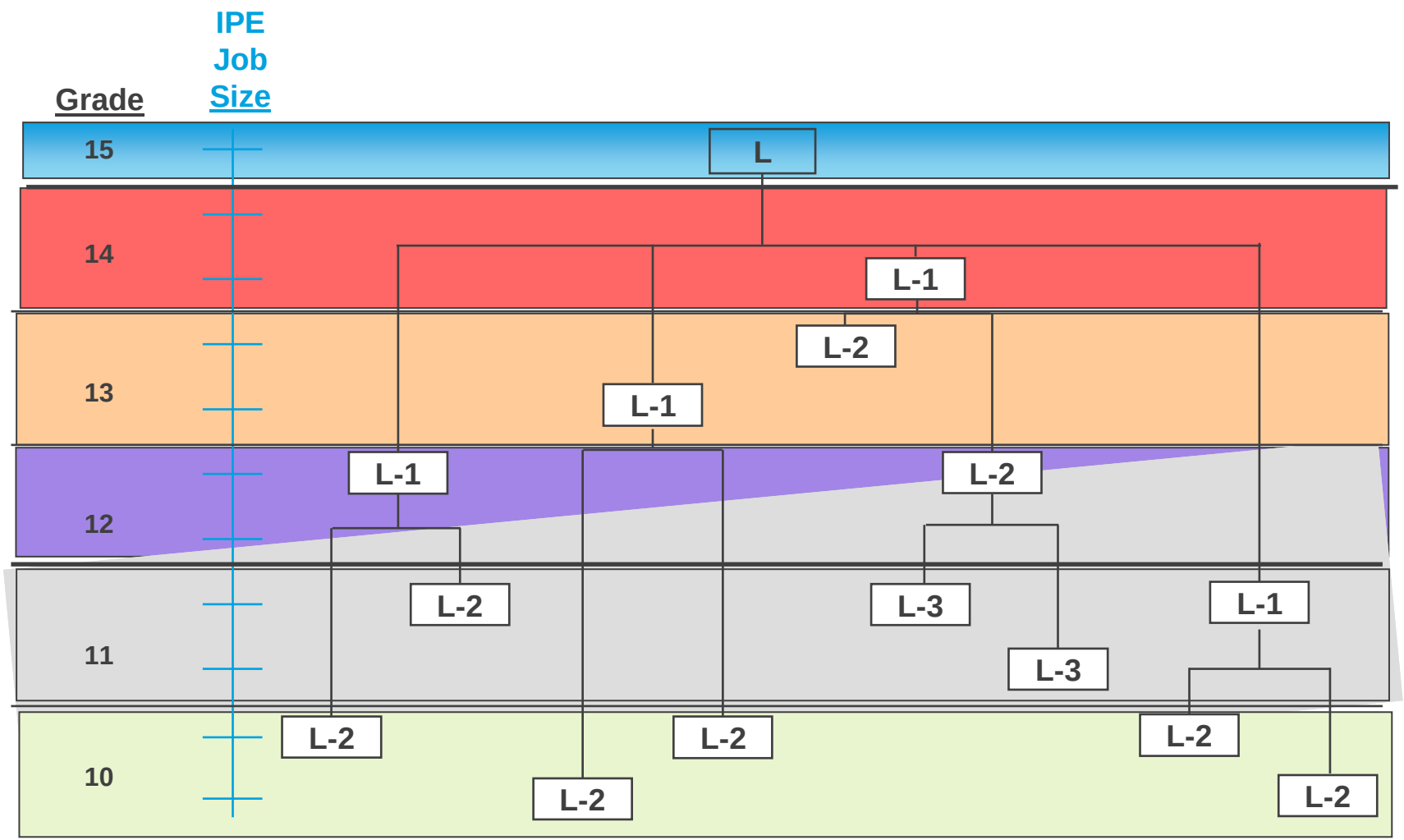
Matching Person / Position



Define Employee Groups

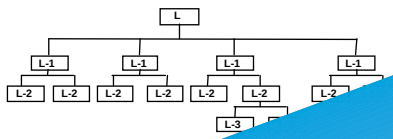


Define Grades Within Groups



IPS Data Management
IPE- Ranking Positions by Level

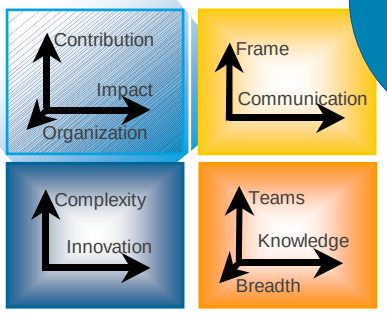
Organization Chart



1 Positions Evaluation

Job Documentation

IPE Evaluation Process



2 Position Matrix

Grade	IPE PC	Marketing & Sales	Human Resources	Manufacturing
22	62	M&S Vice President		
21	61			Factory Director
21	60			
21	59	National Sales Mgr	HR Director	Production Director Engineering Director
20	58	Marketing Manager		Quality Director
20	57			Maintenance Mgr
19	56	Brand Manager		Test Engineering Mgr Quality System
19	55			Line Productio
18	54		C&B Mgr Training & Devt Mgr Recruitment Mgr	
[illegible]	53	District Sales Sup. Product Manager		Superintendent Environment Spec
[illegible]	52			Production Sup. Maintenance Sup. Sr Engineer
17	51	Product Specialist		
16	50	Sales Executive	HR Executive	Engineer
16	49			Jr Engineer Sr Technician
15	48	Secretary	HR Officer	
14	47	Sales Administrator		Technician
13	46		HR Clerk	Production Leader
12	45		Receptionist	Technician
11	44		Driver	
10	43		Messenger	Operator

3 Organizational Levels

- Level 1
- Level 2
- Level 3
- Level 4

What can the Position Evaluation be used for?

- Structure Pay, Titles, Career Planning e.g.

GRADE	IPE POINTS Min	Mid	Max	IPE Clas	PROMOTION	TITLES Hierarchy	Expertise	REFERENCE SALARY By Class	By Grade	By range
1	676 -	**750** -	825	66 - 71		**Executive**		240'000 230'000 220'000 210'000 200'000 190'000	**215'000**	000 - 180'000
	551 -	**608** -	675	61 - 65	Utopi	**Directors**	**Experts**	180'000 175'000 170'000 165'000 160'000	**175'000**	200'000 - 150'000
	451 -	**500** -	550	57 - 60	Risk	**Deputy Directors**	**Specialists**	155'000 150'000 145'000 140'000	**150'000**	170'000 - 130'000
	6	**413** -	450	54 - 56	Challenge	**Senior Managers**	**Technicians**	135'000 130'000 125'000	**130'000**	145'000 - 115'000
5	301 -	**338** -	375	51 - 53	Recognition	**Managers**	**Analysts**	120'000 115'000 110'000	**115'000**	125'000 - 105'000
6	251 -	**275** -	300	49 - 50		**Supervisors**	istants	108'000 103'000	**105'000**	110'000 - 100'000
7	201 -	**225** -	250	47 - 48		**Supervisors**			**97'000**	105'000 - 90'000
8	151 -	**175** -	2	45 - 46		**Employees**		89'000	**90'000**	95'000 - 85'000
9	126 -	**138** -	150	44		**Employees**		87'000 85'000	**86'000**	90'000 - 82'000

Interval of Positions

Compensation

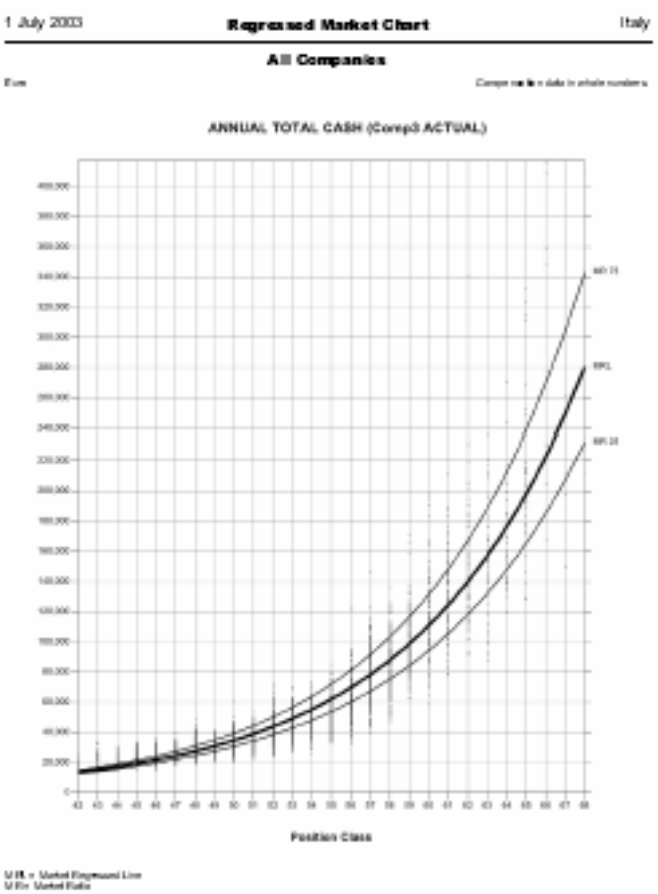
Career Planning

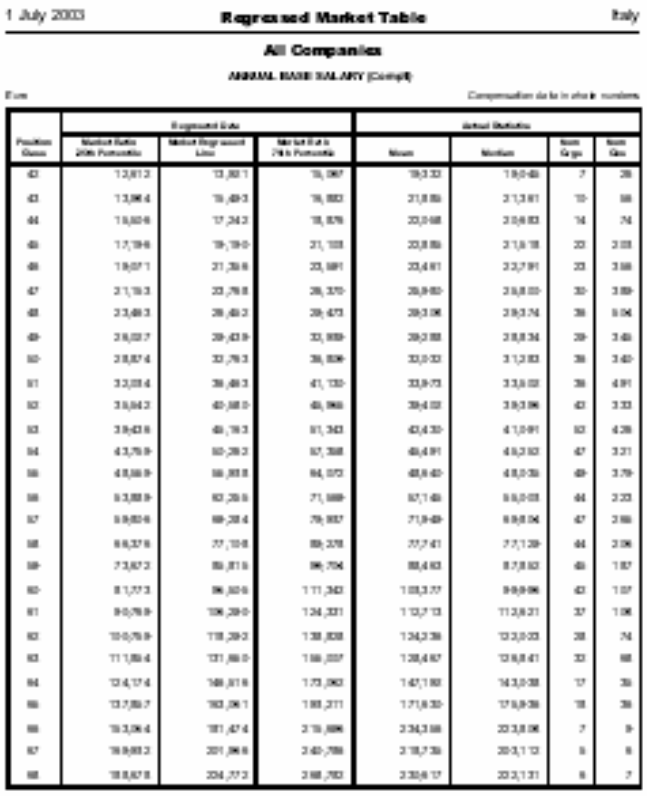
Organizational Levels, Job Families.

Titles

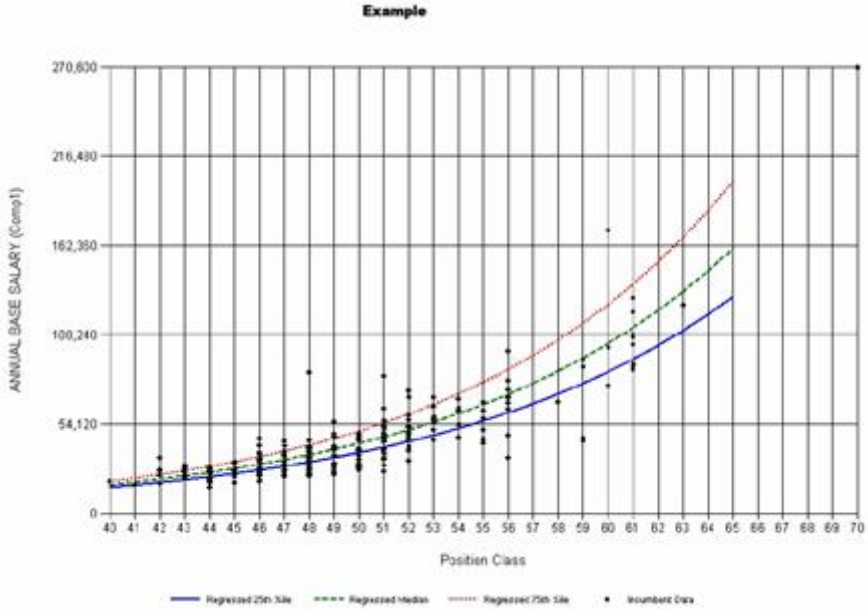
Interval of points

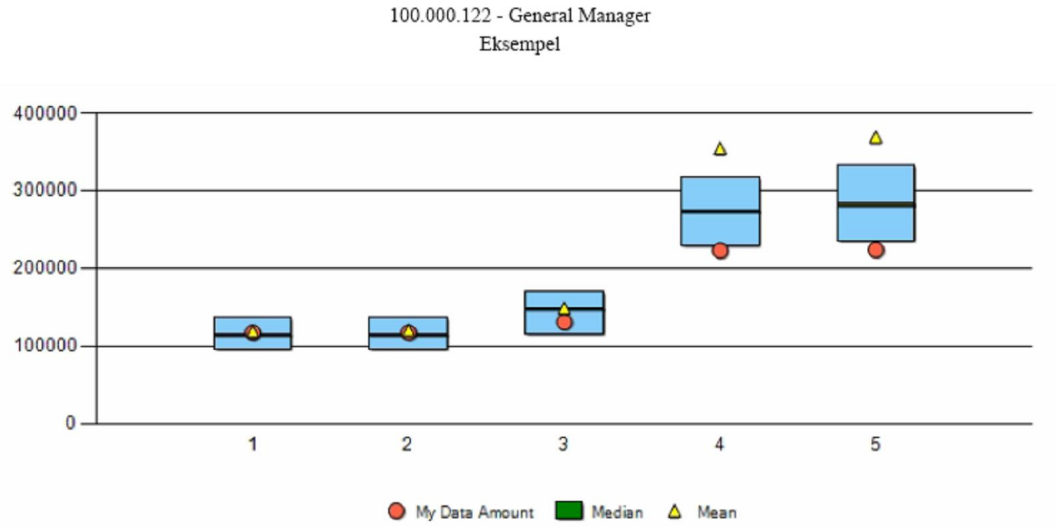
IPE Position Class linkage to market data in 70+ countries





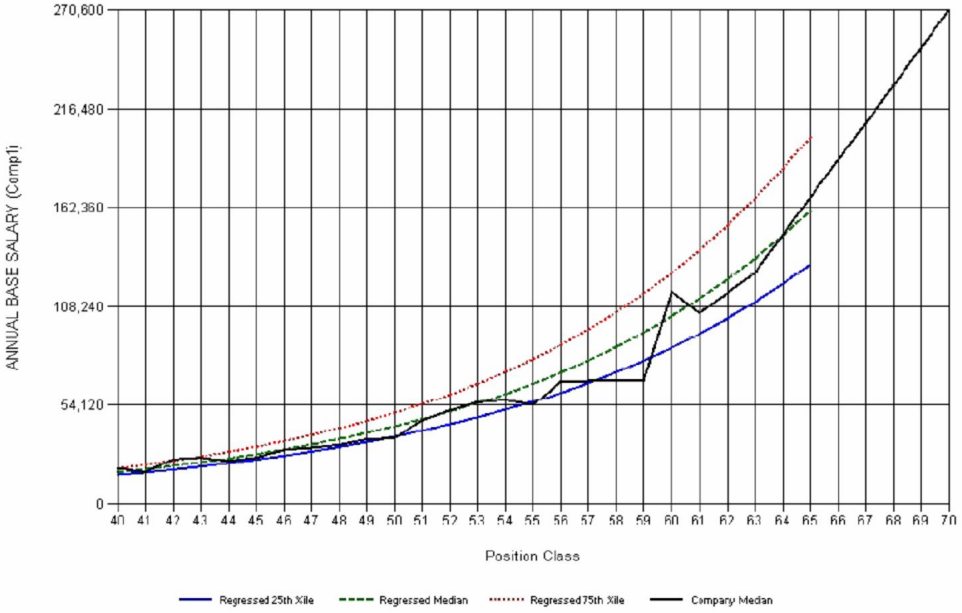
Examples of reports that company can produce





All Companies - All Data - ANNUAL BASE SALARY (Comp1)

Position Class	Incumbent Number	Position Title	Incumbent	Regressed Median	Deviation
40	230	Store Assistant	19838	16835	17.8
41	226	Storekeeper	17637	18394	-4.1
42	118	Entry Level Rep. - Inbound/Outbound	18556	20097	-7.7
42	119	Entry Level Rep. - Inbound/Outbound	18556	20097	-7.7
42	194	Prod. Worker (Skilled)	26409	20097	31.4
42	196	Production Technician	23323	20097	16.1
42	202	Prod. Worker (Entry)	26064	20097	29.7
42	203	Prod. Worker (Entry)	33863	20097	68.5
43	49	Receptionist	23036	21958	4.9
43	50	Receptionist	27441	21958	25.0
43	114	Sales Administration (Entry)	21392	21958	-2.6
43	187	Prod. Worker (Highly Skilled)	23282	21958	6.0
43	189	Prod. Worker (Highly Skilled)	26230	21958	19.5
43	191	Prod. Worker (Highly Skilled)	26409	21958	20.3
43	192	Prod. Worker (Highly Skilled)	26409	21958	20.3
43	193	Prod. Worker (Highly Skilled)	28424	21958	29.4
43	222	Traffic & Distribution Co-ordinator	22453	21958	2.3
43	227	Warehouse Clerk	29323	21958	33.5
43	228	Warehouse Clerk	28540	21958	30.0
43	229	Warehouse Clerk	24869	21958	13.3
43	236	QA Operator	22769	21958	3.7
44	28	Accounts Clerk	24356	23991	1.5
44	39	Clerk	21833	23991	-9.0
44	40	Clerk	18935	23991	-21.1
44	41	Clerk	19741	23991	-17.7
44	67	Marketing Assistant	30384	23991	-45.5



Position Evaluation Systems Remarks

- All evaluation tools are methods to reduce the subjectivity when it comes to evaluating positions
- This is not a science
- The most important asset you have in the evaluation process is common sense
- Evaluations are tentative until the final list is prepared
- Evaluate the position at a competent level of performance
- Final evaluations represent the team's decision; you should support the team's decision and not keep a dissenting opinion
- Evaluations take into account the current situation as it exists today—if organizational changes are anticipated, evaluations will be redone

Mercer's e IPE System

eIPE Unlimited
web software at: http://ipe31.mercer3-p.com

Welcome to eIPE Unlimited

Mercer's International Position Evaluation System (IPE) is a global point factor evaluation plan, designed to objectively determine the relative value of positions. With eIPE Unlimited on the web you can systematically compare positions within and across job families and in your different organizations.

Mercer compensation surveys and market pricing across all regions in the world are related to the IPE position classes.

Instructions

1. Share the IPE knowledge in your organization and assign internal users with the support and advice from your local Mercer Consultant.
2. Define your benchmark positions and build a global database with standard evaluations.
3. Review your company structure, decide which operational unit should be considered as organizations and determine the economic size of the organization. Check the size by total number of employees.
4. Apply benchmark positions throughout the organisation, starting from the top and adjust the standard evaluation as required. Positions that are obviously similar to the benchmark positions should not be adjusted.
5. Report and cross check your evaluations within job families and across organizations.

Before evaluating positions, please ensure you understand the methodology, positions, and processes involved. The list of documents on the right provides you with the background, tools, and instructions. Also verify that you understand and accept the Terms of Service that governs the use of this site.

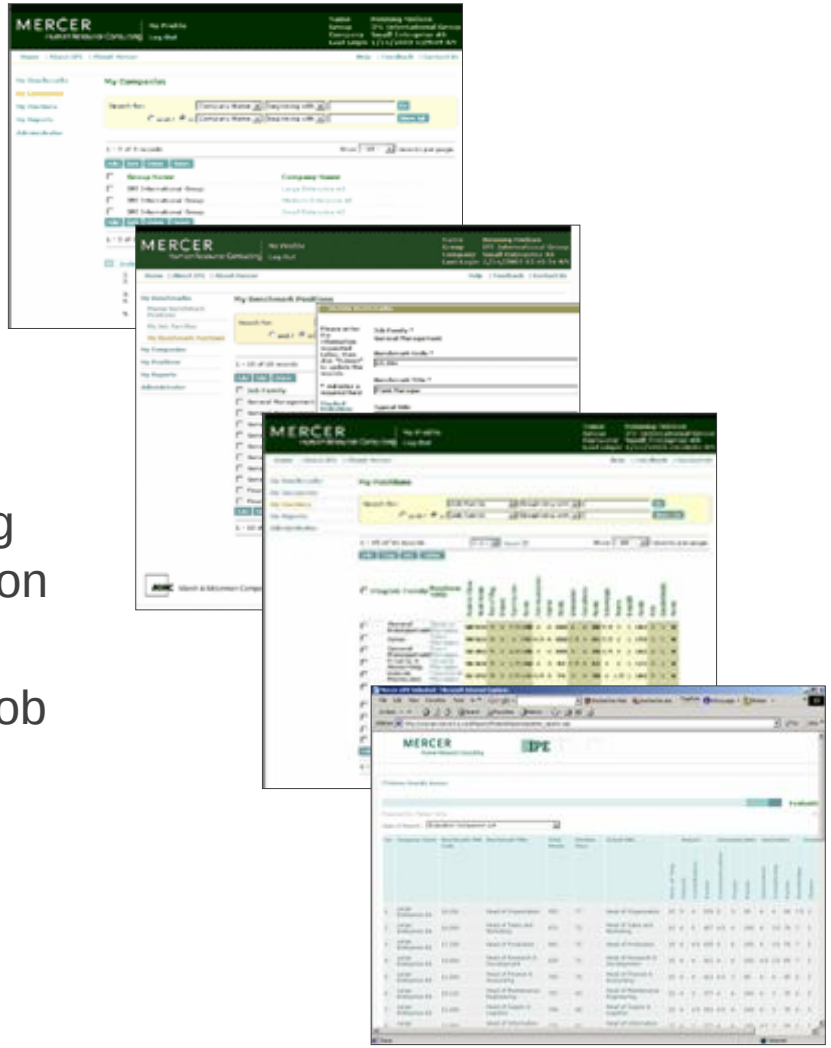
Main Benefits of using e IPE include:

- Quality assurance
  - Globally consistent results!
- Corporate Governance
  - New level of control of the evaluation process in the corporation
  - Ensures harmonisation of results
- Saves time and reduces paperwork
- Online calculations – any time, anywhere access
- Simplicity of process and quick comparisons
- Create relevant reports of IPE structure

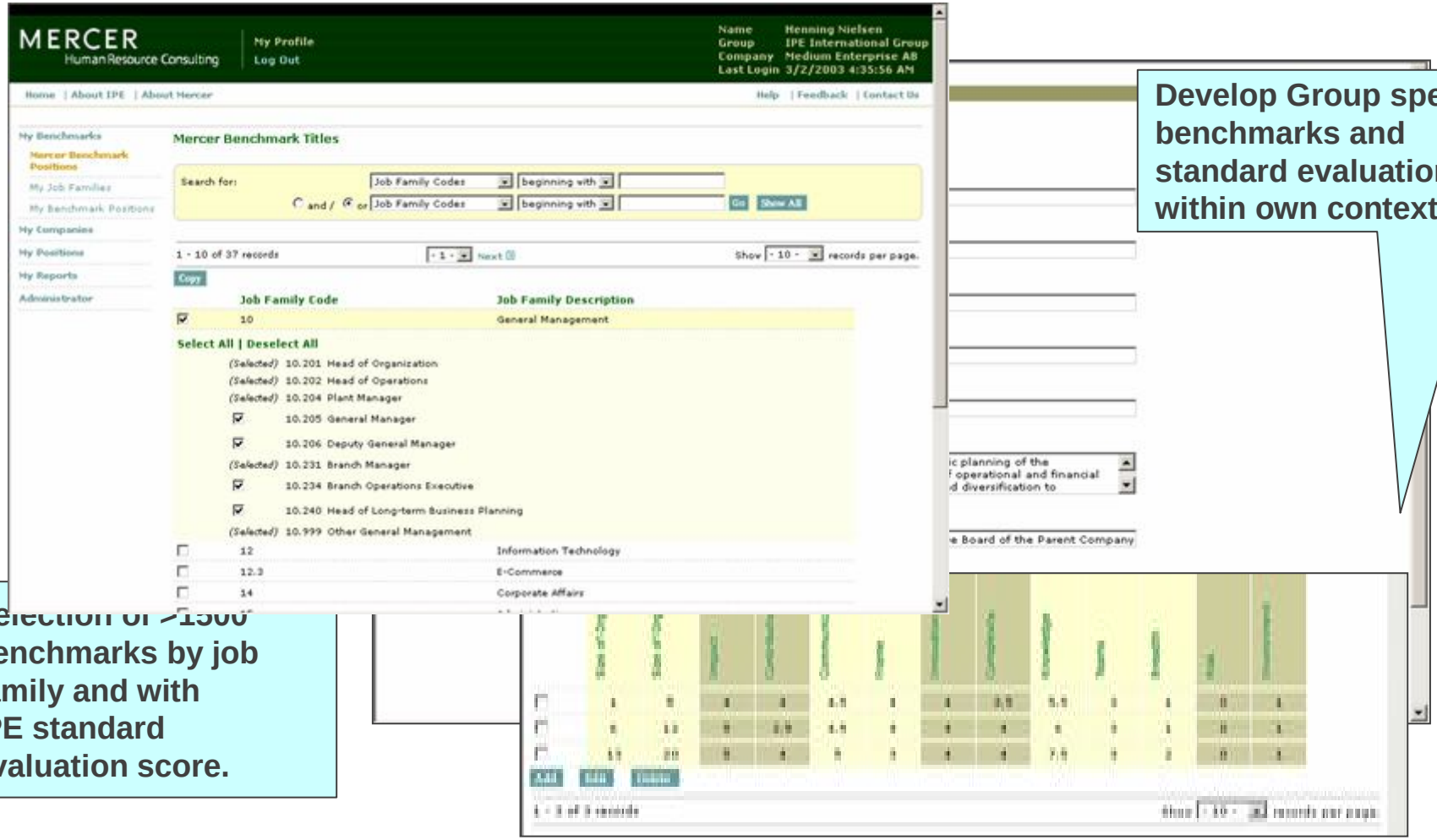
The eIPE evaluation process

IPE in four steps:

- Define your benchmark positions and build a global database with standard evaluations.
- Review your company structure, decide which operational units should be considered as organizations and determine their sizing.
- Add positions to the organizations by applying benchmarks and adjust the standard evaluation as required.
- Report and cross check your evaluations by job families and across organizations.
- Export position evaluation details in Excel.



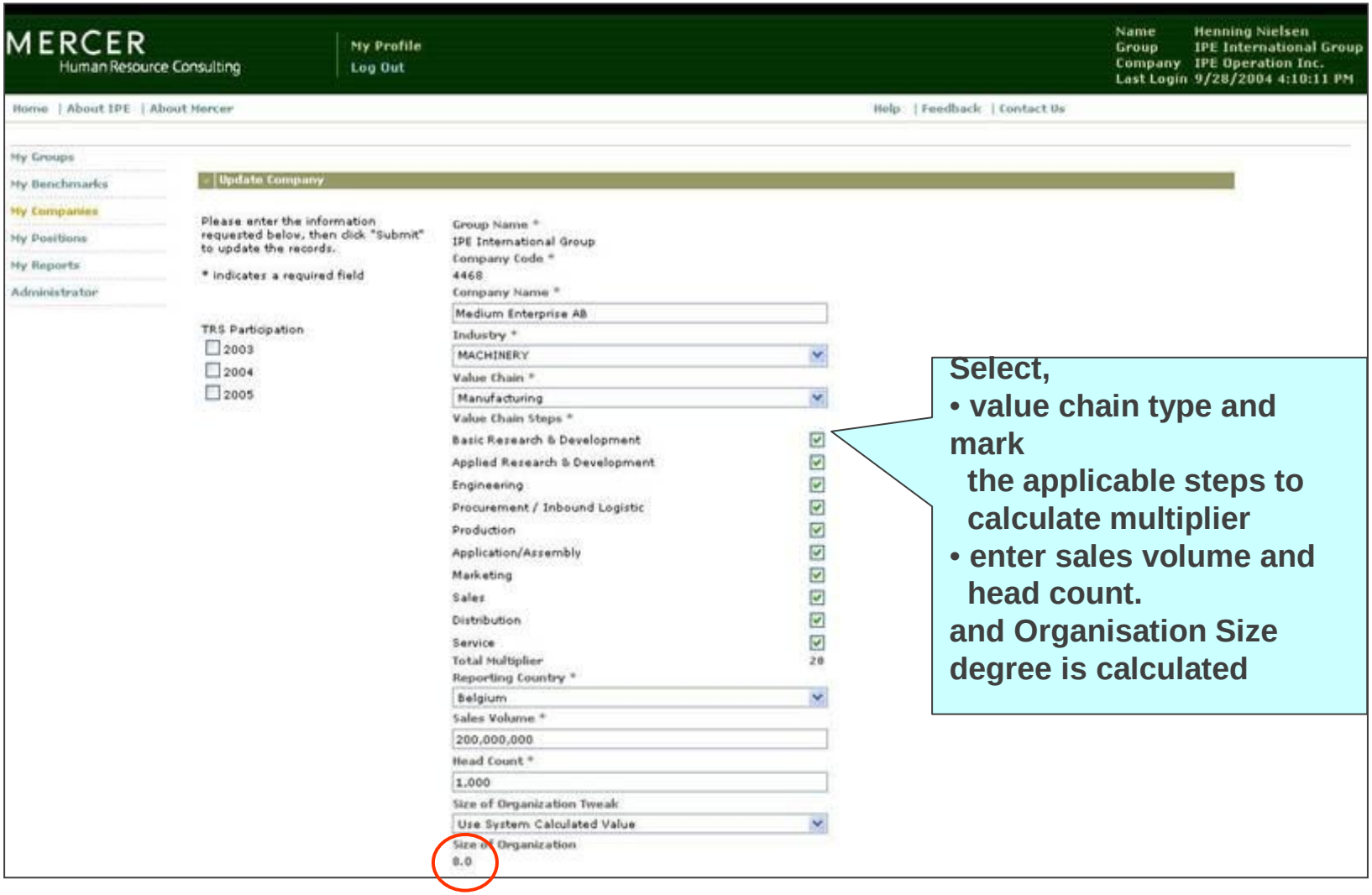
Step 1: Copy Mercer Standard Benchmarks
- or create own Group Benchmarks



Develop Group specific benchmarks and standard evaluations within own context.

Selection of >1500 benchmarks by job family and with IPE standard evaluation score.

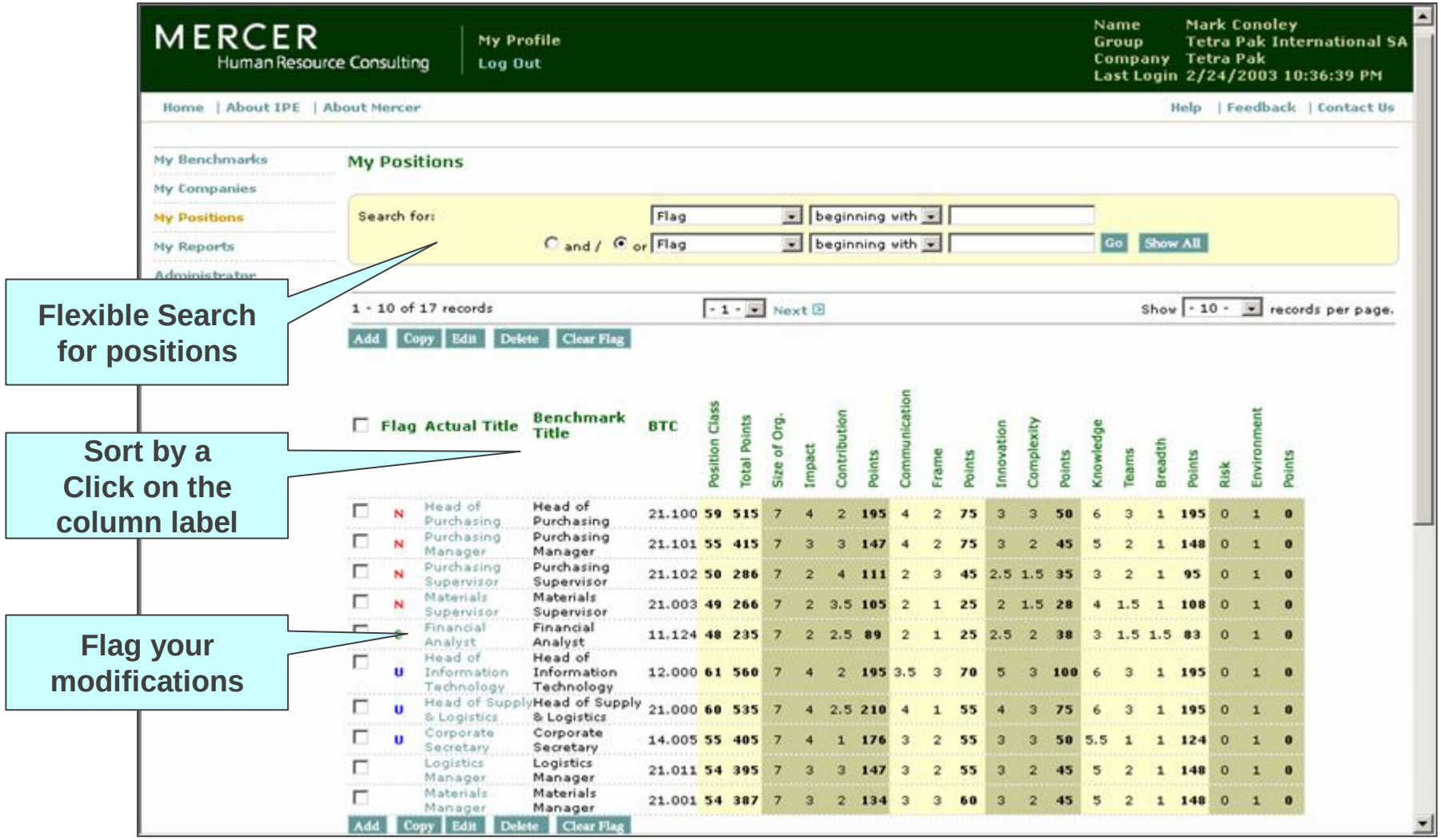
Step 2: Add and Size a Company



Select,
- value chain type and mark
  the applicable steps to calculate multiplier
- enter sales volume and head count.

and Organisation Size degree is calculated

Step 3: Add positions in the Company
- share and secure governance of global evaluation results



Flag		Actual Title	Benchmark Title	BTC	Position Class	Total Points	Size of Org.	Impact	Contribution	Points	Communication	Frame	Points	Innovation	Complexity	Points	Knowledge	Teams	Breadth	Points	Risk	Environment	Points
	N	Head of Purchasing	Head of Purchasing	21.100	59	515	7	4	2	195	4	2	75	3	3	50	6	3	1	195	0	1	0
	N	Purchasing Manager	Purchasing Manager	21.101	55	415	7	3	3	147	4	2	75	3	2	45	5	2	1	148	0	1	0
	N	Purchasing Supervisor	Purchasing Supervisor	21.102	50	286	7	2	4	111	2	3	45	2.5	1.5	35	3	2	1	95	0	1	0
	N	Materials Supervisor	Materials Supervisor	21.003	49	266	7	2	3.5	105	2	1	25	2	1.5	28	4	1.5	1	108	0	1	0
		Financial Analyst	Financial Analyst	11.124	48	235	7	2	2.5	89	2	1	25	2.5	2	38	3	1.5	1.5	83	0	1	0
	U	Head of Information Technology	Head of Information Technology	12.000	61	560	7	4	2	195	3.5	3	70	5	3	100	6	3	1	195	0	1	0
	U	Head of Supply & Logistics	Head of Supply & Logistics	21.000	60	535	7	4	2.5	210	4	1	55	4	3	75	6	3	1	195	0	1	0
	U	Corporate Secretary	Corporate Secretary	14.005	55	405	7	4	1	176	3	2	55	3	3	50	5.5	1	1	124	0	1	0
		Logistics Manager	Logistics Manager	21.011	54	395	7	3	3	147	3	2	55	3	2	45	5	2	1	148	0	1	0
		Materials Manager	Materials Manager	21.001	54	387	7	3	2	134	3	3	60	3	2	45	5	2	1	148	0	1	0

Step 4: Check the Evaluation Results in My Reports

Position holder

The IPE factors with related points and Position Class

MERCER
Human Resource Consulting

IPE

Printer-friendly Version

Evaluation Comparison List

Prepared by: Survey User

Prepared on: 04 Mar 2003

Type of Report : Evaluation Comparison List

No.	Company Name	Benchmark Title Code	Benchmark Title	Actual Title	Position Class	Total Points	Impact				Communication			Innovation			Knowledge				Modify By	Modify On
							Size of Org.	Impact	Contribution	Points	Communication	Frame	Points	Innovation	Complexity	Points	Knowledge	Teams	Breadth	Points		
1	IPE Trading Inc.	10.201	Head of Organization	Chairman & CEO	79	1014	15	5	5	575	5	3	95	5	4	105	7.5	3	2	239	standard.evaluator3	2/14/2003 1:12:31 PM
2	IPE Trading Inc.	11.000	Head of Finance & Accounting		70	785	15	4	4	412	4.5	3	88	4	4	80	6	3	2	205	standard.evaluator3	2/14/2003 10:14:33 AM
3	IPE Operation Inc.	16.000	Head of Sales and Marketing	Director Sales & Marketing	63	613	7	4	4	243	4.5	4	108	4	3.5	78	5.5	3	1	184	henning.nielsen@mercer.com	3/2/2003 5:31:26 AM
4	IPE Operation Inc.	10.201	Head of Organization	Head of Organization	63	613	7	4	4	243	4.5	4	108	4	3.5	78	5.5	3	1	184	standard.evaluator3	2/11/2003 9:21:22 PM
5	IPE Trading Inc.	13.111	Recruitment Manager	Recruitment Manager	60	538	15	3	3	242	3	4	75	3.5	3	63	5	2	2	158	standard.evaluator3	2/14/2003 10:29:27 AM
6	IPE Operation Inc.	13.000	Head of Human Resources	Human Resource Director	60	534	7	4	2	195	4	3	80	4	3	75	5.5	3	1	184	survey.user	3/4/2003 9:43:34 AM
7	IPE Operation Inc.	12.000	Head of Information Technology		59	514	7	4	2	195	3.5	3	70	4.5	3	88	5	2.5	1	161	survey.user	3/4/2003 10:54:01 AM
8	IPE Operation Inc.	12.001	MIS Manager	IT Systems Manager	55	405	7	3	3	147	3	1	40	4	2	70	5	2	1	148	survey.user	3/4/2003 10:20:21 AM
9	IPE Trading Inc.	11.204	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	154	4	3	80	4	3	75	3	1	2	70	standard.evaluator3	2/14/2003 1:15:39 PM
10	IPE Trading Inc.	11.203	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	175	3	1	40	3	2	45	4	1	2	100	standard.evaluator3	2/14/2003 10:20:31 AM

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Print the Mapping of Positions
by Job Family and by Company

Evaluation Comparison Summary (By Company)

Prepared by: Guest User

Prepared on: 24 Feb 2003

Type of Report : Evaluation Comparison Summary (By Company)

Position Class	Large Enterprise AG	Medium Enterprise AB	Small Enterprise AS
73	[6] Head of Sales and Marketing (871)		
72	[8] Head of Production (841)		
71	[3] Head of Organization (821) [10] Head of Research & Development (825)		
70	[2] Head of Finance & Accounting (785)		
69	[7] Head of Maintenance Engineering (757)		
68	[4] Head of Human Resources (732) [11] Head of Supply & Logistics (740)	[3] Head of Organization (732)	
67	[1] Head of Legal (720) [5] Head of Information Technology (720)		
65	[9] Head of Quality Assurance (672)	[3] YALI MC (662)	
64		[6] Head of Sales and Marketing (649) [8] Head of Production (649) [10] Head of Research & Development (631)	
63		[2] Head of Finance & Accounting (615)	
62		[11] Head of Supply & Logistics (599)	
61		[4] Head of Human Resources (562)	
60		[1] Head of Legal (546) [5] Head of Information Technology (542) [7] Head of Maintenance Engineering (535)	[3] *Head of Organization* (541) [3] *Head of Organization* (541)
58		[9] Head of Quality Assurance (494)	
57		[3] Generation Manager (455)	[6] Head of Sales and Marketing (460) [10] Head of Research & Development (466)
56			[8] Head of Production (445) [8] Head of Production (445)
55			[1] Head of Legal (401)

By business unit or by Job Family

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