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August 18, 2015

Vincent Rodo
Chief Financial & Administration Officer
Toronto Transit Commission
1900 Yonge Street
Toronto, Ontario
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Dear Mr. Rodo,

Please find attached the Hay Group Limited material for Item 1 (Job Evaluation Concepts) for the August 20, 2015 agenda of the TTC Human Resources & Labour Relations Committee.

Thank you for your assistance in this matter.

Sincerely,



Karl Aboud
Senior Principal
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TORONTO TRANSIT COMMISSION

Job Evaluation Concepts – HR & LR Committee

Karl Aboud

August 2015



DISCUSSION AGENDA

- **What are Hay Job Evaluation Points?**
- **How are they determined?**
- **Why are they used?**
- **How are they used for Market Pricing?**
- **JE project steps**
- **About Hay Group**

WHAT ARE HAY JOB EVALUATION POINTS?

- **The Hay Group Guide Chart Method of Job Evaluation was first designed by Mr. Ned Hay in Philadelphia in the 1940s, and has been continuously refined for seventy years**
- **Hay Job Evaluation (JE) Points are a reflection of the content of a job (see attached brochure for more detail). In summary they are a point value that reflects the unique attributes of the organization (e.g., business, size, ownership, etc.) and of the job (e.g., mandates, complexities, responsibilities, etc.)**
- **Hay JE Points are the world's most prevalent method of evaluating all types of jobs in all kinds of organizations. They are the primary source of evaluating jobs in tens of thousands of organizations in most countries in the world, and in many hundreds of high-profile organizations in Canada**
- **Hay Points have been used to evaluate TTC jobs since (approx.) 2000**

HOW ARE THEY DETERMINED?

- Hay Group receives & reviews current job descriptions & org charts, and maps that insight to our job evaluation Guide Charts
- For executive jobs, Hay Group also typically interviews the CEO
- Hay Group also reflects upon evaluation point references assigned to generally similar jobs in other organizations
- Hay Group determines (first draft) evaluation points and reviews them with authorized parties (HR, CEO, HR&LR Committee)
- The JE Points are thereafter refined to mutual consent
- For this (TTC) project, the first draft executive points will only be reviewed with the HR&LR Committee before being finalized
- In many organizations, the Hay Group trains staff to evaluate (non-executive) jobs, and Hay Group is used only for review

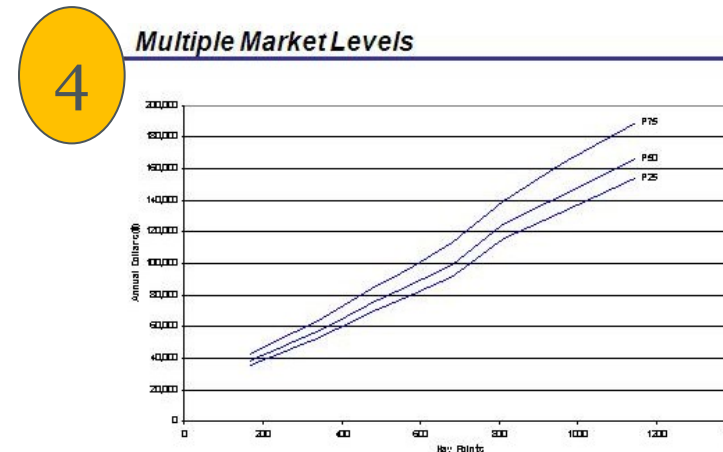
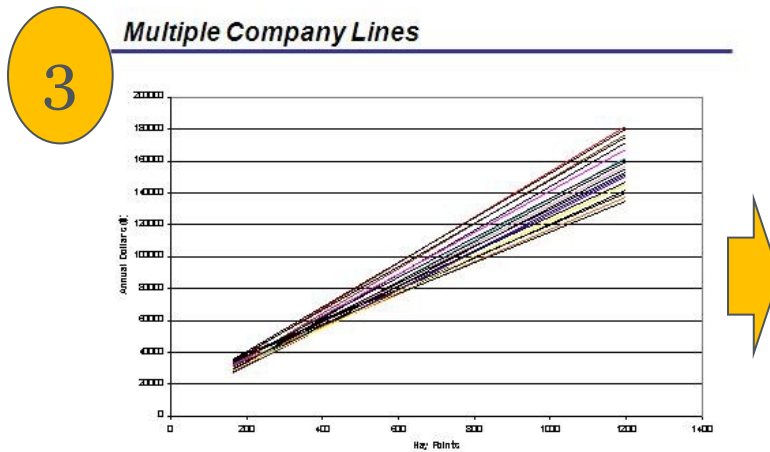
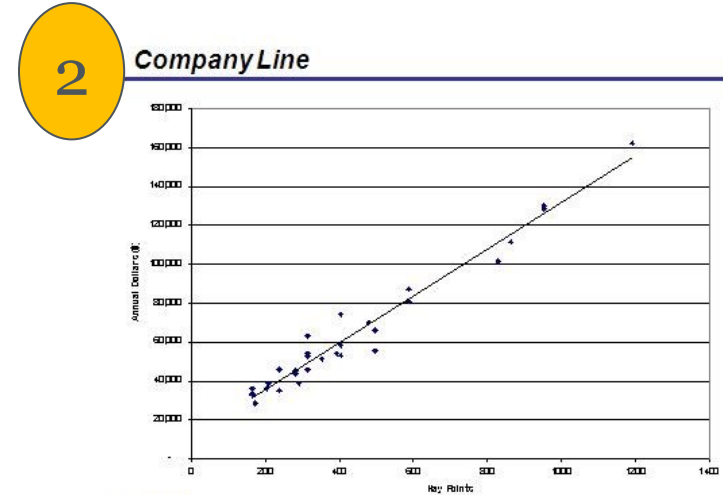
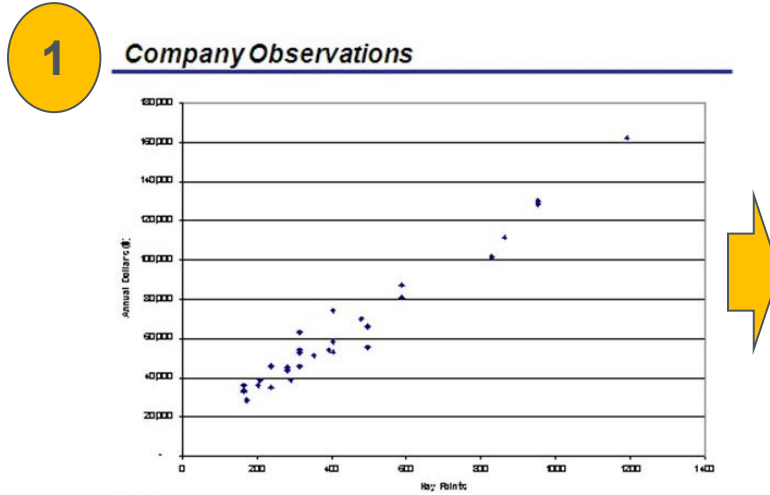
WHY ARE THEY USED?

- **Hay Points have two primary purposes: Internal Equity and Market Pricing**
- **Relative to Internal Equity, they typically underpin the salary grading structure (i.e., each job's points determine the job's grade designation)**
 - **On a related basis, they are also used to underpin compliance to Pay Equity legislation**
- **Relative to Market Pricing, they are used to compare to the pay values of jobs with similar evaluations in other organizations**
 - **As long as the other orgs use the same evaluation methodology, the points will adjust for differences in orgs & jobs, and therefore one can compare to orgs & jobs without the very valid concern that the external org and/or job is too different than your own to validate it being a comparator**
 - **Especially if your org/job is unique in the market (e.g., being the biggest org)**

HOW ARE THEY USED FOR MARKET PRICING?

- **See illustration on following page**
 - **Comparator orgs are selected**
 - **Comparator data are compiled**
 - **The compiled data are typically regressed at multiple percentile values**
 - **Comparator data are interpolated at your evaluation points**
- **Separate Market Pricing analyses can be done for each different compensation element:**
 - **Annual Base Salary (i.e., Actual or Target)**
 - **Total Annual Cash (i.e., Salary plus Short Term Incentive)**
 - **Total Annual Remuneration (i.e., Total Cash plus Benefits & Retirement)**
 - **Total Remuneration (i.e., Above plus Long Term Incentive)**

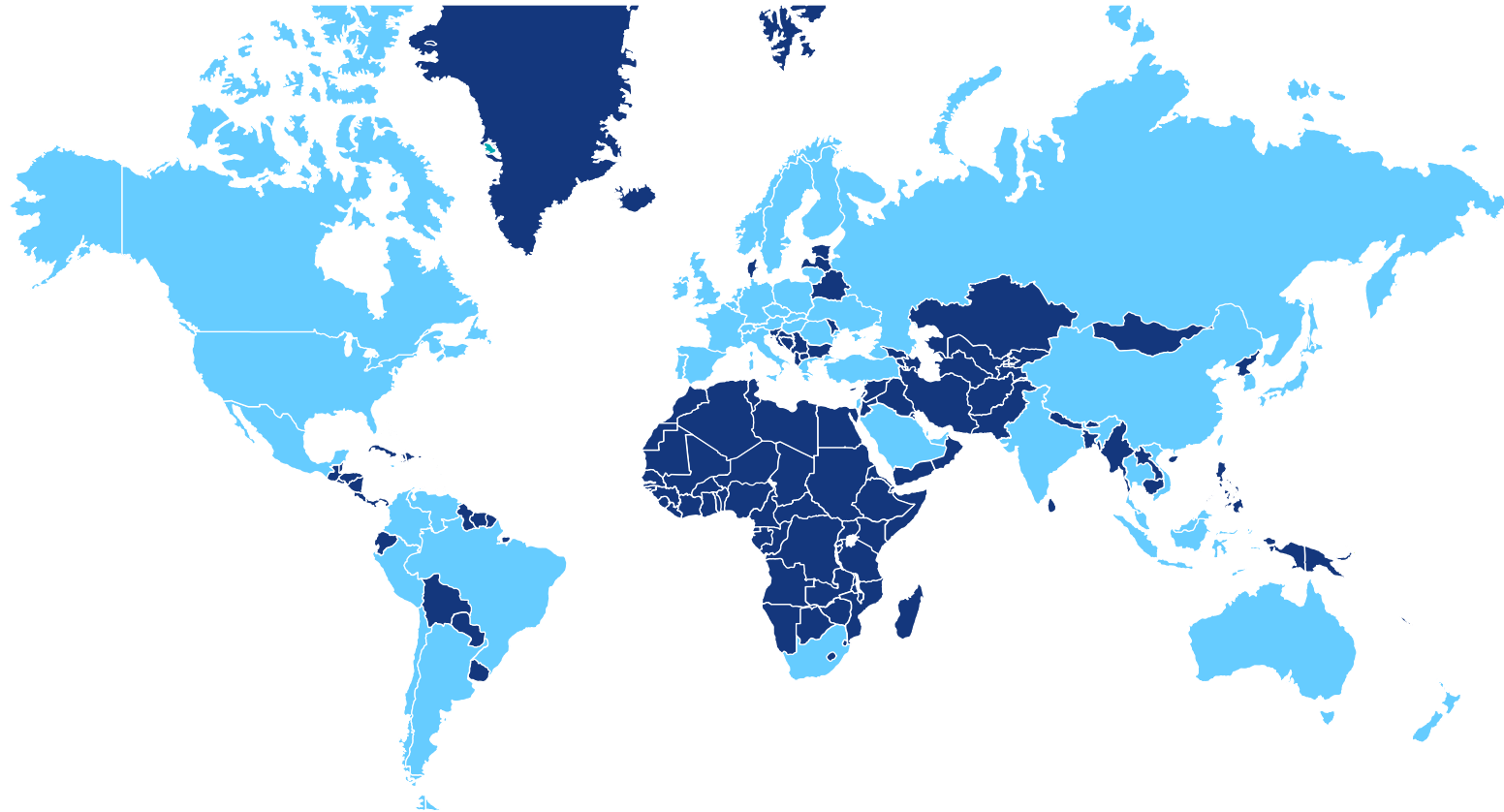
DATA ILLUSTRATION: MARKET FORMATION



JE PROJECT STEPS

- **Hay Groups receives & reviews job docs & org charts by Aug 21st**
- **Hay Group interviews TTC CEO**
- **Hay Group determines (first draft) evaluation points**
- **Hay Group reviews draft points with HR&LR Committee on Sept 10th and refines to mutual agreement**
- **Hay Group uses approved points to underpin Market Pricing review**

HAY GROUP'S GLOBAL REACH



Offices in 49 countries

Employees worldwide

HOW WE ORGANIZE OUR BUSINESS



THE HAY GROUP GUIDE CHART–PROFILE METHOD OF JOB EVALUATIONSM

The Hay Group job evaluation method is a form of factor comparison that has been used by thousands of organizations to evaluate clerical, trade and technical, management and professional, and executive level jobs. At present, it is used in profit and non-profit organizations in over forty countries around the world. A substantial number of clients have relied on our approach for many years, applying the methodology through many reorganizations; during periods of growth and also when they must rationalize their structures. They have also used it to evaluate totally new product and service organizations and as a means to maintain consistency in periods of great change or legal challenge to the previously established order.

The Hay Group's method works because it is a dynamic process that organizations adapt and apply in ways that meet their needs. It is based on the notion that jobs can be measured on the basis of their relative contribution to the overall objectives of the organization. By considering core aspects of content and context that are common to all jobs, it provides a clear, understandable and systematic basis for defining and comparing the requirements for all kinds of jobs at all levels. However, the Hay Group method can readily be adapted to reflect special determinants that affect only some jobs in some organizations.

It is this combination of discipline and flexibility that has made it possible for the fundamental principles of the Hay Group method to remain intact over the years, even as there have been many refinements in language and application. For example: in Canada core factors of Know-How, Problem Solving and Accountability have been expanded to include, once again, a fourth factor – Working Conditions – in response to equal pay legislation. The following explanation covers all four factors and their twelve dimensions.

The Four Factors Used by Hay Group

Know-How

This factor is used to measure the total of every kind of **knowledge and skill, however acquired**, needed for acceptable job performance. Three dimensions are considered:

- practical procedures and knowledge, specialized techniques, and learned skills;
- planning, coordinating, directing or controlling the activities and resources associated with an organizational unit or function; and
- active, practising, person-to-person skills in the area of human relationships.

Problem Solving

This factor measures the **thinking required** in the job by considering two dimensions:

- the environment in which the thinking takes place; and
- the challenge presented by the thinking to be done.

Accountability

This factor measures the relative degree to which the job when performed competently, can affect the end results of the organization or a unit within the organization. The opportunity to contribute to an organization is reflected through three dimensions:

- the nature and degree of the decision-making or influence of the job;
- the unit or function most clearly affected by the job; and
- the nature of that effect.

Working Conditions

This factor measures **the context** in which the job is performed by considering four dimensions:

- **Physical Effort** – Levels of physical activity that vary in intensity, duration and frequency that contribute to physical stress and fatigue.

- **Physical Environment** – Progressive degrees of exposure of varying intensities to unavoidable physical and environmental factors which increase the risk of accident, ill health or discomfort.
- **Sensory Attention** – Levels of sensory attention (e.g., seeing, hearing, smelling, tasting, touching) during the work process that vary in intensity, frequency and duration.
- **Mental Stress** – Progressive degrees of exposure of varying intensities of factors inherent in the work process which increase the risk of such things as tension or anxiety.

Hay Group Guide Charts

Hay Group **Guide Charts** provide the standard tools that clients use to systematically evaluate all of their jobs, or a particular group of jobs in the organization. **Guide Charts** (see the illustrative example below) are tailored to suit the

client organization and the jobs to be evaluated. Today, the logic of the **Guide Charts** is often incorporated within computer software as an additional way to assist the evaluation process.

The illustrative example shows four overlapping Hay Group Guide Charts for XYZ Company of Canada Limited. The charts are titled: 'GUIDE CHART FOR EVALUATING WORKING CONDITIONS', 'GUIDE CHART FOR EVALUATING ACCOUNTABILITY', 'GUIDE CHART FOR EVALUATING PROBLEM SOLVING', and 'GUIDE CHART FOR EVALUATING KNOW-HOW'. Each chart contains a grid for evaluation and a summary table at the bottom.

There are a Variety of Ways to Apply the Hay Group Method

When there are a large number of jobs within an organization to be evaluated, a representative sample of jobs is usually evaluated first by an experienced Hay Group consultant and the client organization. The resulting evaluations can be used as **benchmark references** to assist in the evaluation of all other jobs in the organization.

Often a committee, representing various groups within the client organization, is trained in the use of the Hay Group method so that it can evaluate the organization's jobs. More and more these days, the evaluation process is assisted by computer, within committees providing **quality assurance** to the evaluation process. In other organizations, Hay Group consultants might evaluate the jobs and have them checked by the client. In some organizations, the human resources group is charged with the evaluation process and uses various approaches to gather job information, develop evaluations and have them accepted.

Regardless of who is involved, our process of job evaluation is based on **consensus building** after all components of a job are fully understood. Working from documentation which describes the content of the job and the content of the job and

the environment in which it is performed, plus the definitions and quantitative measures provided, each job is given a ranking on the four factors in relation to other jobs in the organization. When only Know-How, Problem Solving and Accountability are used to measure jobs, the results are represented by "total points". When all four factors are used, the results are referred to as "full points". For example, the evaluation for a Research Scientist might be as follows:

Know-How	460
Problem Solving	230
Accountability	(50) 132
Total Points – Content	P4 822
Working Conditions – Context	33
Full Points – Combined	855

Frequently Asked Questions About the Hay Group Method

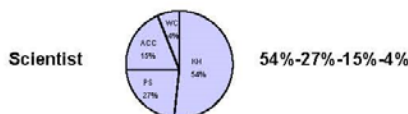
Can a Well-Established Evaluation Method Meet the Needs of a Changing Organization?

The Hay Group method works because it is based on the most flexible elements found in both job rating and ranking systems. It is a **dynamic** process that organizations adapt and apply in ways that meet their needs. It provides the **discipline** of a consistent, systematic means for measuring the relative contribution of different jobs over time, regardless of how the individual jobs may change or how the interrelationships may change. At the same time, it provides the **flexibility** of a process that can be adapted to the specific needs of the organization.

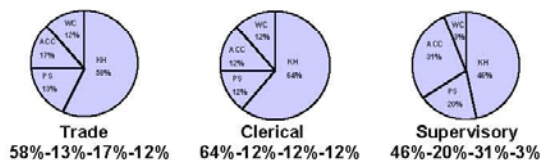
What is the Weighting of the Factors?

This is an often asked question. The answer is that there is **no** universal "weighting". When the Hay Group Method was being developed, it was found that jobs which were the same in nature would have evaluation points distributed between the factors in much the same way, **even though the jobs might differ significantly in size**. In other words, the proportion of the points assigned to Know-How, Problem Solving, Accountability and Working Conditions tends to be similar for similar types of jobs, regardless of the total number of points involved.

As an illustration, in the previous example of a scientist, the points were distributed as follows:



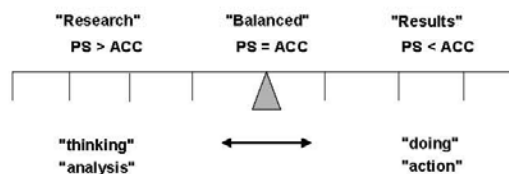
54-27-15-4 is the **"long profile"** or "weighting" or "relative distribution" of the factors for this job. Another position of a similar nature would have a similar weighting or **long profile, even though the total points might be different**. That is, one would expect most of the points **for scientists** to be given for Know-How and Problem Solving (81%) because of their relative importance in such a job. Other examples of typical profiles are:



What is the "Short Profile"

Know-How, Problem Solving and Accountability are all linked together. Working Conditions is more "contextual" in nature. **"Short profile"** assesses the **relationship** between

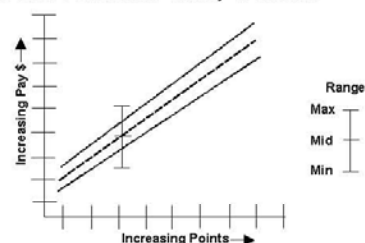
Accountability and Problem Solving (and to Know-How). Jobs with significantly more Accountability points relative to Problem Solving are usually very end results-focused. When Problem Solving is greater than Accountability, jobs are typically more research-oriented. Still other jobs are balanced, with similar amounts of Accountability and Problem Solving. **Short profile** is a valuable **quality control check**, it prompts evaluators to review their work to see if, on balance, they have developed the right "configuration", "relative contribution", or profile for the job being evaluated:



The Profile part of the Hay Group Guide Chart-Profile Method of Job EvaluationSM not only provides a clear, brief "description" of the job, but also answers "weighting" and relationship questions.

How are Evaluations linked to Pay?

Evaluations result in Full Point values (K-H + PS + ACC + WC). These values, **through specific points, pay grades, broad bands, work levels, etc.** can be related to different types of pay (internal and/or market comparisons; base salary plans, base + incentive, etc.) Ranges with Midpoints, Maximums and Minimums can be developed that **compare points levels and pay levels**. Jobholders can be positioned in ranges based on a wide variety of criteria.



How does the Hay Group Method Fit with Equal Pay Legislation?

As can be seen on the next page, the four Hay Group factors fit closely with the Skill, Effort, Responsibility and Working Conditions factors which are stipulated in most equal pay legislation. Therefore, the Hay Group method is often used to develop Pay Equity plans.

The Hay Group Method and Equal Pay

CANADIAN HUMAN RIGHTS ACT AND EQUAL PAY GUIDELINES

HAY GROUP GUIDE CHART-PROFILE METHOD OF JOB EVALUATIONSM

Core factor	Sub factor	Dimension	Core factor
Skill	Intellectual skill	Knowledge and skill, however acquired, associated with practical procedures, specialized techniques and scientific disciplines	Know-How
		Conceptual or actual management knowledge and skill	
		Human relation skill	
	Physical skill	Physical skill associated with practical procedures and specialized techniques	
Effort	Intellectual effort	The independence, complexity and novelty of the thinking required in the job	Problem Solving
	Physical effort	Intensity, frequency and duration of physical effort or activity producing physical stress or fatigue	Working Conditions
Responsibility	Accountability for machines, finances and other resources	The size of the organizational unit or function which the job affects, as indicated by the resources involved (human and otherwise)	Accountability
	Accountability for work of other employees	The role of the job in bringing about the objectives of an organizational unit or function, including accountability for the work of others.	
	Reliance on employees to perform the work	The nature of the organizational unit or function requiring knowledge and skill.	Know-How
Working Conditions	Noise, heat, cold, physical danger, conditions hazardous to health, other conditions produced by the physical work environment	Intensity, frequency and duration of unavoidable conditions in the physical environment (e.g., fumes, temperature, noise, vibration, dirt, dust, and unavoidable exposure to hazardous substances, equipment, and/or situations)	Working Conditions
	Isolation, mental stress, other conditions produced by the psychological work environment	Intensity, frequency, and duration of exposure to factors inherent in the work process or environment, (e.g., isolation, multiple deadlines) which increase the risk of such conditions as tension or anxiety.	
		Intensity, frequency and duration of sensory attention during the work process	