

Merit Planning Matrix (Example)



A key component of a comprehensive compensation plan is the integration of performance management and salary ranges.

The purpose of the Merit Planning Matrix is to determine a merit increase based on performance level and the employee's position in their salary range. This allows for more rapid salary growth for higher performing employees and slower salary growth for lower performers.

Ideally the employee should be encouraged to perform at his/her best and be rewarded accordingly but not to the point where the salary is above and beyond an acceptable market level.

Performance Level ties to Position in Pay Range (Comp-Ratio)				
Recommended Merit Increase based on a 2% merit adjustment – final figures to be determined also by the number of employees in the cells below:				
Compa-Ratio:		73-91% of market value	92-110% of market value	111-127% of market value
Performance Level	Upper Third	Salaries in this area of the matrix would usually experience the largest increases. (Merit Adjustment: About 4.0%)	(Merit Adjustment: About 3.5%)	Salaries in this area of the matrix are at a premium. A moderate increase would usually be indicated. (Merit Adjustment: About 3.0%)
	Middle Third This is the level of performance most frequently attained.	(Merit Adjustment: About 2.5%)	Salaries in this area of the matrix are probably Merit Adjustment: About right, usually indicating a median increase. (Merit Adjustment: About 2.0%)	(Merit Adjustment: About 1.5%)
	Lower Third	(a) Experienced performers: below median or no increase. (b) Inexperienced performers or new in current position: median or above increase (Merit Adjustment: About 1%)	?	Salaries in this area of the matrix would usually receive little or no increase. (Maybe no increase)

Example: If 'Employee-A' receives a high performance rating, and is in the upper one-third of the salary range, then Employee-A will be eligible for a 3% increase (see top row, box on right above). However, if Employee-A's salary is in the lower one-third of the salary range, he/she would be eligible for a 4% increase (see top row, box on left above).