Performance

Pay & Increment

Merit Plus ᴹ⁺

(Pay-for-Performance System)

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PAY-FOR-PERFORMANCE

MERIT PLUS - A REWARDS PLANNING & DISTRIBUTION SYSTEM

1.   Introduction

This IT system will assist you:

- Gain control of your salary management process, ensure that you are paying employees fairly and consistently as well as to help you save time and money.

- Establish, implement and distribute merit increment to individual employees effectively and efficiently based on company budget, employees' performances and salary levels.

- Show cost impact instantly due to individual increment and budget for implementation (using simulation and "what if" scenario modelling features/tools).

- Monitor, analyse and prepare detail salary and increment information/profiles from your salary database (e.g. by department, category, grade or position, Compa Ratio - CR etc.)

Administration work and management process time will be cut drastically i.e. cycle time for increment distribution will be shortened

⇨ from time of receiving performance ratings, knowing budget increment and finalising employees' increments to informing individuals of increment (linking to mailing list to print increment letters)

The system uses well-accepted and fair pay-for-performance and reward principles, reduces subjectivity and ensures no cost and time over-run.

Salary Information System (SIS)

In addition to the Merit Increment Distribution System, it has a built-in salary data information system to provide the following reports/data:

⇨ Salary information by
- employee categories or
- employee grades or
- positions
- departments
- overall company

⇨ Statistics available include
- highest paid
- lowest paid
- average paid
- Compa Ratio (CR)

Principles Used

⇨ Pay for performance
- higher performers get higher increment
- rewarding employees with higher performance ratings that are low in the salary ranges with greater increases

⇨ Total increment must accurately meet or not exceeding set budget/cost (no need to use "forced distribution" or change performance ratings)

> The concept is to reward employees with higher performance ratings that are low in the salary range with greater increases than those paid towards the maximum of range.

2. Merit Plus System

Why Use It - Key Features

⇨ An IT-based planning and budgeting rewards tool

⇨ Easy-to-use system

⇨ IT-based cost simulator
- runs "what if" scenario of increments and salary cost
- speedy process
- instantaneous report availability
- establishes reports/analyses on variances to budget

⇨ Accurate: budget implementation and increment distribution

⇨ Offers multiple increment budget allocations i.e. by employee categories

⇨ Significantly reduces
- administrative time
- management nightmares (e.g. changing/managing performance ratings, optimising budget
- staff dissatisfaction
- management stress (avoid need for "forced distribution guidelines", subjectivity, too much discretion)

⇨ Use pay-for-performance program
- sound, fair and well-accepted pay principles

⇨ A systematic, objective, efficient and proven compensation tool, system and process
- from performance rating to the issue of increment letter to employees

Features	Merit Plus	Normal Practices
Process cycle time: rating to increment letter	Instantaneous - management/administrative time cut drastically	Relatively long process time: may take 2 to 8 weeks (depend on size of company and guidelines available)
Effectiveness: objectivity, fairness and consistency	Objective, systematic, fair increment distribution	- rating distribution used can be subjective - may need to use "forced distribution" (can be "stressful" and seen to be "unfair") - may need to change performance rating to achieve budget
Efficiency: speed and accuracy	Simulation tool Scenario-based ("what if") Budget-based	Take time to re-calculate when changes are made
Report and analysis tool	Provide many types of reports and analyses - spreadsheet/IT-based	Take time to prepare report or analyses
User friendliness	Easy to use	Need to understand IT system

When to Use It

Merit Plus is normally used after the performance appraisal which is conducted either annually or bi-annually. After performance assessment, ratings are available. Together with salary and increment budget decided an efficient and effective, increment distribution system is required to reward individual employees fairly and consistently.

Who Uses It

Normally the following users are directly involved in increment budgeting, proposals, decision-making or implementation:

⇨ Head of business/company
⇨ Top management and/or managers
⇨ Head of human resources and finance
⇨ Head of rewards/compensation
⇨ Other human resource practitioners

3.   Security Features

The system is designed with the following security features to provide for availability and accessibility of confidential salary, increment and performance rating data and reports. Multi-level security and passwords are available and assigned by master key and system administrator. In this way, safeguards are available so that sensitive data (e.g. performance ratings and salaries) is seen only by those with the need to know.

Confidential Salary and Increment Reports

After top management has proposed and/or decided on new salaries and increments of the company's employees report for each department (draft or final) may be made available to each individual head of department. After final confirmation and/or "fine-tuning", employees will be informed individually via e-mail or letter of their increment by the human resource department or each department head.

Merit Plus (Pay-for-Performance System)
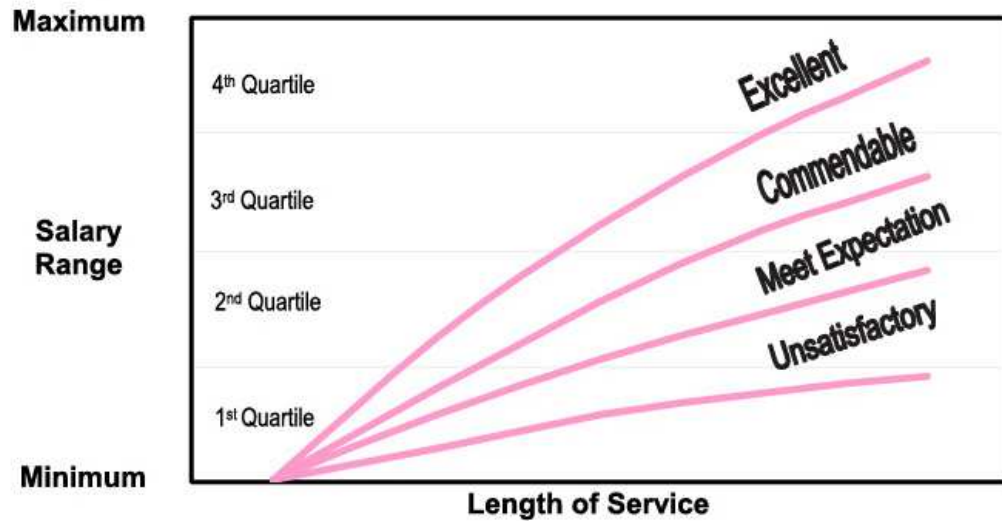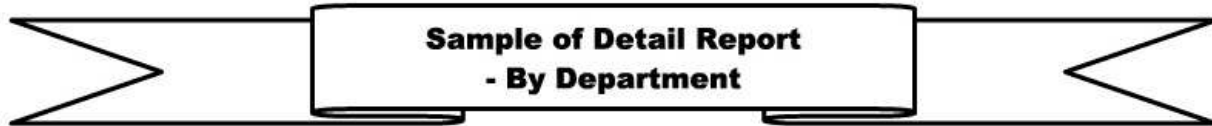

PAY-FOR-PERFORMANCE : INCREMENT AND SALARY PROGRESS
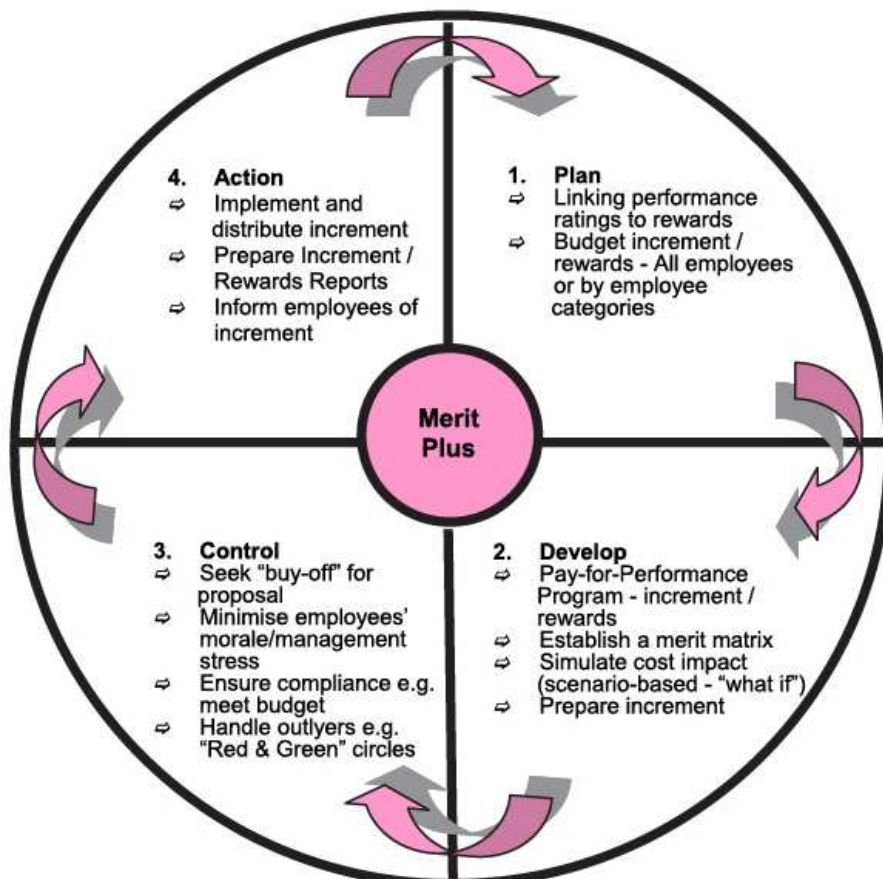
MERIT PLUS used in a Pay-for-Performance Program/Cycle

SAMPLE REPORTS (Salary and Increments)

Available by
⇨ Departments
⇨ Grades
⇨ Employee Categories
⇨ Positions
Posting individual Increment and/or New Salary Letter

Sample of Detail Report - By Department

Report Name: Increment By Department for All Company

Cost Ctr	Emp ID	Emp Name	Position	Accounts		Current Basic	New Basic	Incr. (%)	Incr. (RM)	Perf. Rating
				Grade	Dept					
A13	A8-005	George	Manager	MGR	Accounts	2,390	2,605	9.00	215	A
A13	A8-048	Jasmin	Officer	EXE	Accounts	2,200	2,317	5.33	117	D
A13	A8-013	Mary	Officer	EXE	Accounts	1,600	1,744	9.00	144	A
A13	A8-043	Michael	Officer	EXE	Accounts	1,600	1,744	9.00	144	A

Total Head Count: 8
Total Current Salary (RM):   15,580   Total New Salary (RM):   16,820
Total Increment (RM):   1,240   Overall Increment (%):   7.96
Summary: New Salary (RM) - (Average, Highest & Lowest)
Average: 2,103   Highest: 2,605   Lowest: 1,744

Sample of Summary Report - By Department

Report Name: Summary Increment By Department for All Company

Department	Total				Increment (%)	Average Increment (RM)
	Head Count	Current Salary (RM)	Increment (RM)	New Salary (RM)		
Accounts	8	15,580	1,240	16,820	7,96	155

Total Head Count: 8
Total Current Salary (RM):   15,580   Total New Salary (RM):   16,820
Total Increment (RM):   1,240   Overall Increment (%):   7.96

Sample of Detail Report
- By Grades

Report Name: Increment By Grade for All Company

Cost Ctr	Emp ID	Emp Name	Position	EXE Grade	EXE Dept	Current Basic	New Basic	Incr. (%)	Incr. (RM)	Perf. Rating
A11	C1-0003	Adam	Officer	EXE	Engineering	1,160	1,254	8.11	94	B
A13	A8-045	Eric	Officer	EXE	Admin	1,800	1,930	7.22	130	C
A13	A8-020	Evelyn	Officer	EXE	Admin	1,900	2,020	6.33	120	D
A13	A8-048	Jasmin	Officer	EXE	Accounts	2,200	2,317	5.33	117	D
A11	C2-0003	Jocelyn	Officer	EXE	Engineering	2,640	2,731	3.44	91	E
A13	A8-013	Mary	Officer	EXE	Accounts	1,600	1,744	9.00	144	A
A13	A8-043	Michael	Officer	EXE	Accounts	1,600	1,744	9.00	144	A
A13	A8-006	Robert	Officer	EXE	Admin	2,110	2,279	8.00	169	A

Total Head Count: 16
Total Current Salary (RM): 30,020   **Total New Salary (RM):** 32,038
Total Increment (RM): 2,018   **Overall Increment (%):** 6.72
Summary: New Salary (RM) - (Average, Highest & Lowest)
Average: 2,002   **Highest: 2,731**   **Lowest: 1,254**

Sample of Summary Report
- By Grades

Report Name: Summary Increment By Grade for All Company

Department	Total Head Count	Total Current Salary (RM)	Total Increment (RM)	Total New Salary (RM)	Increment (%)	Average Increment (RM)
EXE	16	30,020	2,018	32,038	6.72	118

Total Head Count: 16
Total Current Salary (RM): 30,020   **Total New Salary (RM):** 32,038
Total Increment (RM): 2,018   **Overall Increment (%):** 6.72

Date   :   09 March 2011
Employee No. :   A8-005
Department   :   Accounts
Name   :   George

Dear George,

RE   :   FOCAL REVIEW / INCREMENT

With reference to the above review, we are pleased to inform you that the management has decided to adjust your salary by RM200 per month.   Your new salary will be RM2,605.00 per month with effect from 1st April 2011.

The Company wishes to express its appreciation for your contribution and look forward to your continuing dedication.

Thank you.

Yours faithfully,
ABC 1 SDN BHD

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Ms. Lee Kam Mei
Asst. HR Manager

About MIS & Associates

MIS is a Human Resource Consultancy Firm specializing in Compensation / Rewards Services. Established in 1983, they have been providing their services in this region for both local and multinational organizations (including USA, Japanese and European companies)

Services Available
⇨ Compensation Survey
⇨ Rewards Consultancy
⇨ Job Evaluation, Grading, Salary Structure, Career Mapping
⇨ Performance Management System (using KRA / KPI)
⇨ Competency Profiling / Modelling
⇨ Human Resource Policy and Procedures

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