May 1, 2013

To: Merit Planning Administrators

From: Anniese Lemond
       Director, HR Compensation

RE: Annual Staff Merit Planning

The news is filled with information about the economic milieu. Sequestration, the status of the financial markets, job growth, and the economy overall are common topics around the water cooler or twitter page. We are not immune to the impacts of these, most recently with regard to federal funding for position creation and maintenance, support for new and continuing research projects, and potentially reduction in sponsored funds available for pay increases.

Northwestern has faced similar labor and economic challenges but has chosen to continually invest in staff via hiring, promotions, and is committed to recognizing and rewarding staff for their contributions.

The FY14 merit planning window opens on May 13, 2013 and closes June 21, 2013. The merit pool is 3.00% for base wage increases for eligible staff for most central units and schools. In addition, for the Evanston schools, the School of Continuing Studies and central units, a supplementary pool of 0.5% will also be allocated this year: 0.25% of this pool will be for staff eligible for a merit increase for extra meritorious performance and will be paid as a one-time lump sum bonus for staff in the EXS and ITS salary plans and added to base for staff in the NEX salary plan. Any one-time/bonus payments are not guaranteed. The remaining 0.25% of this pool may be retained by the unit and available for position reclassifications or other adjustments for all salary plans (i.e. NEX, EXS and ITS) post merit planning. Each application of the discretionary budget requires justification. The professional schools plan to have similar approaches but given varying funding and budget models, amounts may vary slightly.”

Paying for Performance

The merit planning process is not simply a budget allocation exercise. Rather, it is steeped in and driven by the critically important process of reviewing and evaluating performance. The Performance Excellence (PE) process encourages and requires that managers and staff have ongoing dialogue about their individual and departments/units goals and accomplishments. When applied consistently and diligently, the results are greater workplace effectiveness, efficiency and engagement. In the end, we can ensure that employees are recognized and rewarded according to their level performance and contributions.
While some of our peer institutions are eliminating annual pay increases for administrators and staff, Northwestern continues to recognize the contributions of staff by rewarding those who are deserving. The merit budget pool is not unlimited and in order to appropriately reward staff for their contributions, it is necessary to differentiate the amount of increases given. Does that mean that better performance results in higher pay? Yes, but not always a higher merit increase because several factors are considered in determining the amount of a merit increase.

Primary considerations include the available merit budget, the individual performance and the current pay rate/level of the staff member. Consider the example where two employees in the same department with similar levels of performance are eligible for an increase during merit planning. To determine the amount of increase to provide to each, a manager needs to consider the aforementioned factors (and any others that are relevant).

- **Allocation Pool**
  Since the available budget is set at an organizational level, each staff member is potentially eligible for that amount. Remember this is a specific, finite amount of money allocated for merit and discretionary increases.

- **Individual performance**
  Each staff member received the same high performance excellence rating

- **Current pay rate of each individual**
  One of the employees earns an annual salary that is near the lower end of the pay range for the position. That employee is potentially eligible for a larger increase than another employee who earns an annual salary that is near the top of the pay range for that position. This results in both employees earning a salary that is appropriate for the work they do and their level of performance. However, both employees in this example will receive an increase greater than someone who is a poor performer.

Reward and recognition, however can take many forms. Employees may be recognized for good performance via other means including promotions, increased opportunities to contribute to organizational success, assignment to special committees and so on.

All pay increase recommendations are subject to review by Compensation to ensure fairness and equity.

**The Performance Excellence Process**

The PE cycle begins with establishing goals for the individual that relate to goals that have been set for the entire work unit. Throughout the year, on at least a quarterly basis, that dialogue should continue so that both manager and employee are able to identify achievement toward those goals, areas of development, adjustments and other critical considerations. The process concludes with a final evaluation of performance that accounts for all of the and contribution toward
Final performance evaluations are due to the HR Office on or before April 30, 2013 (with some flexibility given the change in timing). Performance Excellence process and tools ([http://www.northwestern.edu/hr/workplace-learning/performance-excellence/index.html](http://www.northwestern.edu/hr/workplace-learning/performance-excellence/index.html))

**Updates to the Merit Planning Process**

As many of you know, a survey of central, unit and school administrators was conducted last autumn aimed at learning more about the experience with the merit planning process. As a result of the responses collected, the conversations and focus groups that were held, several enhancements have been made to the planning process and tools. Some of those changes are highlighted below. However, to gain a more fulsome understanding of the changes, several training sessions have been scheduled and you are strongly encouraged to attend.

- All organizations should be using the Performance Excellence process and tools. As communicated last year, the 5-point rating scale and forms are no longer supported by the University. For more information on converting to Performance Excellence, please call your HR Consultant

- Staff eligible for merit increases must have completed performance review and rating. The final whole number rating from the review for each employee is required for completion of the merit planning panels.

- Salary structures for FY14 have been updated. Salary structures are management tools that help ensure that pay within the organization is handled in a consistent manner, ensuring that we remain competitive with the relevant external labor markets and As you are completing the merit planning process, please ensure that all base pay rates and salaries are at or above the minimum of the pay range for the grade

- Staff members will be able to access information about merit increases via FASIS self-service once the final plan has been approved and loaded.

- The planning panels have been streamlined so that the most relevant information is available for view.

- Merit budgets are not hardcoded but will require entry by the administrators. This allows for more flexibility in building budgets to account for various funding sources, vacant positions, etc. This is not an opportunity to increase your budget in ways that are not appropriate or authorized. Each administrator is expected to employ the same level of fiscal responsibility as in past years.

**Promotions and New Hires**

Job promotions may be implemented during the merit planning process.
Staff members hired after Tuesday, May 1, 2012 are not eligible for merit increases. Be sure to communicate this during the hiring and onboarding processes. Consideration for this should be given when the salary determination is being made.

**Additional Resources**

Fiscal Year 2014 staff merit planning tools and materials are available on the merit planning website [http://www.northwestern.edu/hr/managers-administrators/annual-compensation/index.html](http://www.northwestern.edu/hr/managers-administrators/annual-compensation/index.html)

If there are questions or concerns related to the merit planning guidelines, please do not hesitate to contact your Compensation or HR Consultants for assistance.