

Merit Pay Plan Method Options	Why would you want to use this method?	How would you implement this method?	Tools to Support Merit Pay Plan Method
Model 1 - Reward Performance	This method is easy to communicate, sends a strong performance message, and does not require you to have identified pay targets for all your positions.	This method requires you to determine the flat dollar or % increase percentage (or a range if allowing more managerial discretion) per performance rating.	See Model 1 Templates and Tools: Provide links to samples of spreadsheet or tools that show how this pay plan is executed.
Model 2 - Position Pay to Align with Performance	You want to reward employees based on their performance but you also want to consider external market value for similar positions and how employees are paid in comparison to each other in your unit.	This method requires you to determine the market value for your positions and then create a grid that is geared to move employee's pay to align with their performance. The concept is to move consistently high performers to a pay level above the market and to slow the increases of others who are paid above market.	See Model 2 Templates and Tools: Provide links to samples of spreadsheet or tools that show how this pay plan is executed.