**The Performance Appraisal Reward Process**

Both financial and non-financial rewards are needed for a merit pay program to work effectively.  It is important to remember that staff members also need and seek out: feelings of self-worth, recognition, challenge, responsibility, independence, status, security, growth, and advancement.  Pay for performance becomes a motivational tool only when it is used as one component of the total appraisal-reward system.

      **•**      **The Merit Pay Decision**

There are three factors that are used to determine the actual amount of the merit award.  These three factors are:

1. **The amount of money available to be distributed as part of the merit process.**  This pool of money is determined based on the allocation provided for staff salaries as part of the State budget.
2. **The number of employees that are rated at each performance level**. Once all of the performance evaluation decisions are forwarded to Oakland, a calculation is done to ensure that all of the merit pool of money is distributed to all eligible employees.  Based on this calculation a % increase is assigned to each performance level.
3. **The performance rating received by the employee.**  The individual employee then receives the percent increase that is aligned to his/her performance level.

      **•**      **Communicating Merit Increase Decisions**

When the supervisor informs the staff member of his/her new salary, the supervisor should also communicate the reasons for the salary decision.  The staff member should already be aware of the link between performance and pay, and the general criteria used to make decisions.  However, this information can be reviewed to provide a context for the salary decision.  Generally staff members are satisfied with salary decisions when they believe that the decision was made objectively and that their salary is equitable in relation to the salaries of other staff members.  Regardless of the amount of money available for merit increases, staff members will be motivated to continue to perform if the basis for salary decisions is clearly communicated and other important forms of reward, such as positive feedback, continue to be available.