

THE UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

# Policy on Merit and Bonus Awards

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## Employee Compensation

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This document outlines the criteria and process for awarding merit pay or bonus for exceptional performance by municipal employees.

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## Merit and Bonus Criteria

### Principle:

The Council of the United Townships of Head, Clara & Maria acknowledges that individuals who have achieved “job rate” still deserve increased compensation when their performance warrants it by exceeding the norm for the position they hold. Further they agree that at times, even before reaching the final step on the grid some employees may, in any given year, perform to an extent in which they have earned their step increase but have also performed in such a way as to warrant extra compensation for exemplary performance or contributions to the municipality. This document outlines the policy and guidelines for implementing a merit or bonus policy for Head, Clara & Maria municipal employees.

The following are the principles established to guide those involved in the merit process. As part of the municipality’s role in establishing a decision-making process related to merit, the leader should ensure that the guiding principles of the merit process are an essential component to the implementation and maintenance of the merit process.

The principles are defined as follows:

#### Effectiveness

- All parties fully understand not only the processes, but also their responsibilities within the process;

#### Equitable

- The process must provide similar opportunity for all members to benefit, and must take into account the broad range of positions filled by municipal employees, including those that are primarily self-directed;
- Awards must be provided in a consistent manner across the workplace and appropriately reflect the criteria established;

#### Accountability and Transparency

- All parties must be fully accountable with an appropriate level of checks and balances;
- Decisions in any given year are reported to the individual employee including the reasons why awards were, or were not, given;
- Reports will be maintained in the employee’s file;
- Transparency of the decision-making process is of utmost importance.

#### Engaging and Affirming

- Awards will recognize exceptional growth as well as continued meritorious application of skills and competencies;
- Provide recognition to employees for their work accomplishments and achievements even if they do not warrant a merit or bonus;
- Tangible and significant awards of merit affirm to employees that their efforts and contribution to their workplace are recognized and valued.

Performance reviews and merit are two separate processes. Performance reviews are meant for employee development. Merit is to award staff for their growth in their accountabilities and competencies.

### **Policy:**

There are two types of merit available: Lump sum bonus and Base salary increase.

**Lump sum bonus** is a lump sum monetary award that is not added to the member's annual ongoing base salary.

**Base salary increase** is an increase added to an individual member's annual ongoing base salary.

Base salary increase is most appropriate if the employee has demonstrated exceptional performance outcomes, proficiency and job and career growth in all aspects of the position. (E.g. Obtain a designation or completion of a detailed educational program.)

Lump sum bonus is most appropriate if the employee has demonstrated exceptional performance or proficiency that is more one time in nature such as project outcomes or to recognize professional development in which an employee took a course and immediately implemented their learning in the work place as a one-time project or change.

Council shall identify what is meritorious within all positions and ensure all staff are aware of the criteria. Over time a detailed list of examples will be created for reference.

Merit is to recognize those employees who exceed the basic competencies and accountabilities of their position (as outlined in their job descriptions and appraisal forms) and who demonstrate job growth, career growth, high performance outcomes and/or high project outcomes.

- **Job growth** is when an employee has significantly expanded their job responsibilities in ways that exceed the Unit's normal expectations.
- **Career growth** is when an employee has been able to demonstrate that their education and/or training has added value to their unit.
- **Performance outcomes** are when an employee has exceeded the goals that were set out at the beginning of the year.
- **Project outcomes** are when an employee has exceeded expectations in their contributions to a special project.

### **Guidelines**

The HCM merit process is one component of the municipal compensation program which includes regular performance appraisals, the opportunity to contribute ideas and affect change, support of ideas, educational and training opportunities and salary grid increases for regular and steady performance.

It plays an essential role in ensuring that employees can advance based on individual growth in job accountability, development of skills or competencies that are considered

to add value to the organization, and the ability to achieve and surpass the goals and objectives of their position.

The merit process reflects an improvement upon the basic compensation principles and supports our goal of municipal excellence.

The Clerk/CAO and in the case of the Clerk/CAO Council is responsible for initiating the merit process. This guide is to help those involved in the decision-making process to achieve a successful merit process.

Merit recognizes several components.

1. Everyone who is recommended must meet the essential competency and accountability standards for their position.
2. Based on the operational requirements of the municipality when recommending merit increases, the Clerk or Council may take into account the following merit criteria:
  1. **Job Growth** - significant growth in job accountability;
  2. **Career Growth** - demonstrated growth in skills or competency that is considered to add value to the municipality;
  3. **Performance Outcomes** – achievement of goals related to operational requirements and organizational needs that have been identified for the individual;
  4. **Project Outcomes** - rewarding the successful completion of a special project related to the municipality's operational or strategic goals.
3. The decision should take into consideration the nature of the exceptional contribution; whether it will have a long term benefit for the municipality, (improvements to performance which will be evident for more than one year such as increased education) or is a one-time event or benefit (excellent project management).
4. Merit awards can be allocated as **lump sum bonuses** (for exceptional contributions of a short term nature) or as **base salary merit increase** (for continuous performance which adds to the overall capacity of the unit or organization) **or both**.

### Eligibility

For an employee is to be considered for merit, they must be in their current position for at least one year and for the entire current calendar year.

Prerequisite for consideration of a merit award is successfully meeting all of the basic requirements and expectations of the position as defined by the job description and the performance appraisal form.

## **Merit Distribution**

An employee can be awarded both a base and one-time award. Where circumstances warrant, an employee can also be awarded two allocations of either base or bonus merit. Merit allocations cannot be broken into partial awards.

In determining the amount of lump sum performance awards, the importance and impact of results achieved as well as how the results were achieved (demonstration of meeting key job position duties, values and ethics) are taken into consideration.

## **Clerk/Council Role**

The following is a summary of the Clerk or Council's role in ensuring a successful merit process:

1. To champion and lead the merit process within the workplace.
2. To ensure that timelines are met by completing the process prior to December 31 in any given year.
3. To evaluate the merit processes within the municipality and implement changes as needed, including debriefing with Council and staff.
4. Council is to provide or give final approval of the merit/bonus award decisions for all employees and initiate the process for the Senior Administrative Officer's (SAO) position.
5. To ensure no conflict of interest, or address potential conflicts of interest within the process.
6. Council and the Clerk establish and communicate the criteria for awarding merit.
7. To explain why a person was recommended for merit, taking into account criteria that were identified and used to make the decision.
8. To communicate to staff the factors that will be used in making a decision are identified and communicated to persons to be assessed.