

## **The Down Side of Merit Pay**

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This is going to counter what most people believe, most organizations do, and most wisdom suggests. But, for the few minutes it takes to read this article, I ask that you suspend what you have been told and experienced.

The question is provocative: Is it possible that Merit Pay doesn't work? I have increasingly begun to question the practice. I am beginning to believe that merit pay may reduce motivation, lower productivity, and risks creating a toxic atmosphere.

As though that weren't enough, it may also increase divisiveness and hurt teamwork. Staff members should not be in competition with one another. They should be working together, whenever possible, to create a superior learning and productive environment.

Getting a raise is a reward and not getting what was expected is punitive. Punishment and reward do not change values. It's true that for those who care about the consequences, it may change behavior, but is that why we want people to be doing a good job? Should money be the primary motivator? What happens when there is – let's say – a recession and you can't give raises? If a promise of a raise was the carrot to perform well, what happens then?

Work ethic and devotion to the job are values based. If we have staff that doesn't meet a reasonable standard, let's put our energy, time, and funds toward proper mentoring, developing creative training programs, and influencing the systemic issues that may be causing the problems.

Once we account for longevity, discrepancies in pay imply that people at the same level are not all delivering acceptable performances. If specific employees are not meeting expectations, perhaps it was a hiring mistake. Or, rather than being unmotivated, they are misaligned i.e. in the wrong job or, even, profession. Or, maybe they do not fully understand what is expected of them.

I'm reluctant to mention a study for which I can't find the reference, but the results are so stunning, that I'm going to break my own rule. Some years ago it was suggested that more than half of our nation's employees did

not know, clearly, what their supervisors expected from them. (Nearly 100% of the supervisors thought their expectations were clear.) Even more people kept secrets from their supervisors because those in charge had a dual role: to help with problems, but to also evaluate performance. Employees chose to keep their concerns to themselves for fear that admitting to a problem would show up negatively on their evaluations.

Fear can get in the way of reasonable dialogue and inquiry. It may discourage owning up to mistakes and taking responsibility. It's the major reason that blame does not work. Think about it: It shouldn't matter who is to blame, what matters is what's not working must be fixed.

Salaries are determined, at least in part, on performance evaluations. However, 65% of the performance evaluation meeting should be focused on the future. The past and present assessments should be there to inform future goals and plans. The conversation should ask, "What more do you need?" "What extra training can we provide?" "Let's get you talking to and mentoring with successful colleagues."

Finally, with all the emphasis that is put on raises, salaries are still kept a major secret. It implies that the organization is not paying industry standard or that there are major discrepancies in how salaries are adjusted.

With all the issues present in government, they have one great advantage. Salaries are posted and based on tenure and job description. Salary ranges are predictable and public.

Consider that merit pay may be an abdication of our responsibility to supervise well and keep abreast of organizational problems that, if solved, would increase productivity across the board. It would put performance evaluations and assessments in the developmental arena where they belong. It would reduce workplace silos and jealousy among colleagues.

Finally, the questions to ask are, "Are we giving merit raises because we always have or because they make sense?" "Are they truly based on merit or on the hope that we'll retain certain colleagues?" "Do they motivate all or de-motivate many?"

If you are contemplating changing the process, it's only fair to warn that positive change can be just as stressful as negative change because with

every gain there's a loss – even if the trade-off is merely giving up the familiar.

Like all major shifts, this would require a lot of discussion and explanation. Like all major shifts, getting input and feedback from employees at every level of the organization is highly recommended.

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