

Wage & Performance Review Policy

This policy is designed to help [Business Name] make fair, consistent and sustainable decisions about wages and performance reviews. It separates performance conversations from pay discussions, links wage decisions to individual and business performance, and supports a high-performance, low-stress workplace culture.

1. Purpose

The purpose of this policy is to:

- Provide a clear framework for how performance reviews and wage decisions are made.
- Ensure employees are treated fairly and consistently.
- Align wage increases and bonuses with both individual contribution and overall business performance.
- Reduce ad-hoc and emotionally driven decisions around pay.

2. Scope

This policy applies to all permanent employees of [Business Name]. It may also be used as a guide for casual and fixed-term roles where appropriate.

3. Guiding Principles

- Fair and sustainable: We aim to pay fairly for the role, responsibilities and performance, while ensuring the long-term sustainability of the business.
- Performance-linked: Wage movements and bonuses are influenced by individual performance and contribution.
- Transparent and consistent: Processes and timing are communicated clearly so employees understand how decisions are made.
- Business-aligned: Pay decisions take into account overall business performance, profitability and cash flow.

4. Review Types and Timing

4.1 Performance Reviews

- Frequency: Performance reviews are held twice per year (e.g., in March and September).

- **Focus:** These meetings focus on performance, behaviour, development and future goals, not pay.
- **Content:**
 - Review of results (output, quality, productivity, etc.).
 - Review of behaviours and culture (teamwork, communication, reliability, initiative).
 - Review of development and learning (new skills, responsibilities, training completed).
 - Agreement on clear goals and expectations for the next period.

4.2 Remuneration (Wage and Bonus) Reviews

- **Frequency:** Remuneration reviews are held once per year (or twice, if the business chooses), for example in July.
- **Separation:** These discussions are held at a different time from performance reviews and are clearly communicated as remuneration reviews.
- **Inputs considered:**
 - Individual performance over the period, based on the performance reviews.
 - Changes in role, responsibilities or skill level.
 - Overall business performance, profitability and affordability.
 - Market pay levels and internal equity between roles.

5. Wage Increases and Bonuses

5.1 Wage Increases

- Wage increases are not automatic each year but are considered in the context of performance and business conditions.
- Employees who consistently meet expectations may receive a base increase when the business can afford it.
- Employees who significantly exceed expectations or have taken on greater responsibility may be considered for a larger increase.
- Employees who are not meeting expectations may have no increase and will be supported with a clear improvement plan.

5.2 Performance Bonuses

- The business may offer performance bonuses linked to clear, measurable goals.
- Bonuses are not guaranteed and may change from year to year, depending on overall business performance and specific targets.
- Bonus criteria will be communicated in advance wherever possible.

6. Out-of-Cycle Pay Requests

Employees may occasionally request a pay review outside the scheduled remuneration cycle. In such cases:

- The manager will acknowledge the request and explain the normal review timings.
- If there has been a significant and recent change in role or responsibility, an out-of-cycle review may be considered.
- Otherwise, the request will be noted and considered at the next scheduled remuneration review.

7. Roles and Responsibilities

Managers are responsible for:

- Conducting timely performance reviews.
- Setting clear goals and expectations.
- Providing ongoing feedback and coaching.
- Supplying accurate information for remuneration decisions.

The business owners/directors are responsible for:

- Confirming the remuneration review budget and approach each year.
- Making final decisions on wage increases and bonuses.
- Ensuring consistency and fairness across the team.

Employees are responsible for:

- Preparing for performance reviews and engaging in the process.
- Working towards agreed goals and behaviours.
- Raising questions or concerns in a respectful and timely way.

8. Communication and Confidentiality

- The timing and nature of both performance and remuneration reviews will be communicated to all employees.
- Individual pay and bonus information is confidential between the business and the employee.
- Managers should be prepared to explain the rationale for decisions in a clear and respectful way.

9. Review of this Policy

This policy will be reviewed every 1–2 years, or sooner if there are significant changes to employment law, market conditions or business circumstances.

This policy template is provided as a general guide only. It should be adapted to reflect the specific needs of your business and, where necessary, reviewed by your HR or legal advisor.

Courtesy of BSP Advisory Group, available via Small Business NZ (SBNZ).