

Recent Jobs Growth Report and Hourly Wage Rate Increases Create an Urgency to Review Base Compensation Structures, Merit Pay Structures, and Career Ladders

Background

If you are in the midst of setting compensation rates for 2019, including salary budgets, you may want to consider the following facts:

- The results of the October jobs report indicated that 250,000 new jobs were created last month, with a majority of them in private industry.
- The unemployment rate held steady at 3.7%.
- Thousands of Americans have apparently been waiting for the right job, or a better paying one, because the civilian labor force grew by 711,000 in October, and four-fifths of them found jobs.
- Average hourly wages rose again and are now 3.1% above a year ago, the fastest increase in a decade.
- Average hourly wages for production-level workers have climbed 3.9% and 4.5% for manufacturing employees, over the last three months.

If we proceed with the status quo (including providing across-the-board same wage increases for all), we may, in fact, be adding to our existing problem of retention and attraction.

What Should Companies Be Thinking About Doing Differently?

Create/update career ladder and compensation ranges: Communicate with your employees the expectations and opportunities for growth — tied to achievement of certain performance levels, experience and expertise. This can easily be tied into compensation opportunities as careers progress. Setting forth a career guide path, with expected compensation levels, can only assist in attracting, retaining, and motivating employees.

Review all bonus, incentive and commissions plans: Plans and payout levels created several years ago may no longer be suitable. Across the board, same-level bonuses will not assist in

What's Dinkin Thinkin?

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retaining top performers. Think: Are Performance Measures still reflective of the overall business strategy and are Performance Benchmarks still reasonable with the ideal stretch but not impossible targets?

Consider altering the process of merit increases: Is there sufficient spread between a top performer's wage increase and an average employee's?

Contemplate internal pay equity: When looking across the organization, are similarly situated positions being compensated in a consistent and supportable manner?

Evaluate pay equity: Legislation is sweeping across the country with the focus for employers on being able to defend that your pay practices do not discriminate. Keep this process at the forefront when making any changes.

Is it time to ask: Is it time to review your total compensation programs? The cost for total compensation (base pay, incentives, benefits, retirement, time off, retirement, etc.) is significant. Is there a better way to reallocate these resources, in an alternative fashion?

[Please share your thoughts!](#)

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